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Department of Education

RESOURCE ACCOUNTS

for the year ended 31 March 2009



INVESTOR IN PEOPLE

**Department of Education Resource Accounts
For the year ended 31 March 2009**

*Laid before the Northern Ireland Assembly by the
Department of Finance and Personnel under
section 10(4) of the Government Resources
and Accounts Act (Northern Ireland) 2001*

3 July 2009

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DEPARTMENT OF EDUCATION

Annual Report and Accounts for the year ended 31 March 2009

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DEPARTMENT OF EDUCATION

Accounts for the year ended 31 March 2009

Abbreviations and terms used

ALBs	Arm's Length Bodies
AMPS	Assembly Members' Pension Scheme (Northern Ireland) 2008
ARMC	Audit and Risk Management Committee
ASLC	Accruing Superannuation Liability Charge
BREEAM	Building Research Establishment Environmental Assessment Method
C&AG	Comptroller and Auditor General
CETV	Cash Equivalent Transfer Value
CFERs	Consolidated Fund Excess Receipts
CSP	Civil Service Pensions
DEL	Departmental Expenditure Limit
DFP	Department of Finance and Personnel
DRC	Departmental Running Costs
EF	Entitlement Framework
ELB	Education and Library Board
ESA	Education and Skills Authority
ESAIT	Education and Skills Authority Implementation Team
EU	European Union
<i>FReM</i>	<i>Government Financial Reporting Manual</i>
FRS	Financial Reporting Standard
GTCNI	General Teaching Council Northern Ireland
ICT	Information, Communication and Technology
InCAS	Interactive Computerised Assessment System
IT	Information Technology
NDPB	Non-Departmental Public Body
NICS	Northern Ireland Civil service
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
NIPSA	Northern Ireland Public Service Alliance
NISRA	Northern Ireland Statistics and Research Agency
PCSPS (NI)	Principal Civil Service Pension Scheme (Northern Ireland)
PFI	Public Finance Initiative
PMO	Programme Management Office
PPEs	Post Project Evaluations
PPP	Public Private Partnership
PSA	Public Service Agreement
PSfG	Professional Skills for Government
RPA	Review of Public Administration
RPI	Retail Prices Index
SCS	Senior Civil Service
STEM	Science, Technology, Engineering and Maths
TSS NI	Teachers' Superannuation Scheme Northern Ireland
UK GAAP	UK Generally Accepted Accounting Practice
VAT	Value Added Tax

DEPARTMENT OF EDUCATION

ANNUAL REPORT

INTRODUCTION

1. Ministerial responsibility

During the year, the following Minister had responsibility for the Department of Education:

Minister with responsibility for Education: Ms Caitriona Ruane MLA

2. Senior officers

The Department is headed by the Minister for Education, supported by the Permanent Secretary, two Deputy Secretaries, Heads of Divisions and two independent non-executive directors. The composition of the senior management team during the year was as follows:

Mr Will Haire	Permanent Secretary
Mr John McGrath	Deputy Secretary
Dr Robson Davison	Deputy Secretary
Mr Stanley Goudie	Chief Inspector, Education and Training Inspectorate (from 1 September 2008)
Ms Marion Matchett	Chief Inspector, Education and Training Inspectorate (to 31 August 2008)
Mr Gavin Boyd	Chief Executive (Designate), Education and Skills Authority (ESA)

Heads of Divisions

Mrs Dorothy Angus	Supporting and Safeguarding Children
Dr Mark Browne	Education and Skills Authority Implementation Team (ESAIT)
Mrs Catherine Daly	Finance Director
Mrs Katrina Godfrey	Raising Standards
Mrs Maura McCusker	Corporate Services
Mr Eugene Rooney	Development and Infrastructure
Mr Chris Stewart	Review of Public Administration
Ms Louise Warde Hunter	Early Years, Youth and School Finance
Mr David Woods	Strategy, Performance and Accountability (to 30 November 2008)

Non-executive directors

Dr Roger Platt
Mr Kevin Steele

A new Departmental Organisational Structure will be implemented in the 2009-10 financial year. The creation of the ESA will result in changes to much of the Department's work, with a greater focus being placed on policy development and ensuring the public accountability of the performance of the education and youth sectors and specifically of ESA. The new Structure is designed to facilitate this change of emphasis.

3. Senior official appointments

The Permanent Head of the Department of Education took up his present post on transfer from the Department for Employment and Learning. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Mr Stanley Goudie, Chief Inspector, Education and Training Inspectorate, took up his present post after an open competition. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

4. Departmental accounting boundary

These accounts have been prepared in accordance with directions given by the Department of Finance and Personnel in pursuance of the Government Resources and Accounts Act (Northern Ireland) 2001 and relate to the activities of the Department of Education and the Special Educational Needs and Disability Tribunal. All other associated education and health bodies are outside the accounting boundary defined within the *Government Financial Reporting Manual (FReM)*.

5. Associated bodies

The Department provides funding to a number of public and private sector bodies which are outside the Departmental Resource Accounting boundary. For resource accounts purposes, with the exception of the Special Educational Needs and Disability Tribunal, all of the Non-Departmental Public Bodies (NDPBs) fall outside the Departmental accounting boundary and their results are not therefore consolidated with those of the Department. Financial information in respect of the individual NDPBs may be obtained from their separately published annual report and accounts.

The following list represents those bodies for which the Department had direct funding responsibility during this financial year.

Executive NDPBs

Belfast Education and Library Board
Council for Catholic Maintained Schools
Northern Ireland Council for the Curriculum, Examinations and Assessment

North Eastern Education and Library Board
Southern Education and Library Board
South Eastern Education and Library Board
Staff Commission for Education and Library Boards
Western Education and Library Board
Youth Council for Northern Ireland

Tribunals

Special Educational Needs and Disability Tribunal

Public and Private sector bodies

Grant Maintained Integrated Schools *
Voluntary Grammar Schools *
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Middletown Centre for Autism
Health and Social Services Boards

* Note: Other schools, maintained and controlled, are funded via the Education and Library Boards.

6. Departmental reporting cycle

The Department's original Estimates for the year were included in the "*Northern Ireland Main Estimates 2008-2009*" publication. These Estimates were subject to in-year revision and revised Estimates were included in the "*Northern Ireland Spring Supplementary Estimates 2008-2009*" publication. Both these publications are available from The Stationery Office.

The Department's Estimates include provision for the Education and Library Boards; the Northern Ireland Council for the Curriculum, Examinations and Assessment; the Council for Catholic Maintained Schools; Voluntary and Grant Maintained Integrated Schools; the Youth Council for Northern Ireland and Youth Services; EU Programme for Peace and Reconciliation funding; Early Years Services; the Integrated Development Fund; Departmental administration; miscellaneous education services and community relations.

Key non-financial targets are detailed in the Department's Public Service Agreement. Progress is monitored twice annually.

7. Payment of suppliers

The Department is committed to the prompt payment of bills for goods and services received, in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During the year 95.0% of bills were paid within this standard. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

As part of the Northern Ireland Assembly's efforts to support businesses during the current economic position, DAO (DFP) 12/08 asked Accounting Officers to support a commitment to paying invoices within 10 working days. In the period from when this target was introduced in December 2008 until 31 March 2009, the Department has paid 60.2% of bills within this target.

8. Pension liabilities

Treatment of pension liabilities is disclosed in accounting policy note 1.12 and in the Remuneration Report.

9. Company directorships

There are no company directorships or other significant interests held by senior management team members which conflict with their management responsibilities.

10. Auditor

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Department and reports his findings to the Northern Ireland Assembly.

The audit of the financial statements for 2008-09 resulted in a notional audit fee of £69,446 and is included in the administration costs in the operating cost statement. Additionally, the Department paid £9,732 to the Northern Ireland Audit Office in return for the completion of a data matching exercise for the National Fraud Initiative.

11. Equality Statement

The Department in carrying out its functions has a statutory responsibility, to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;

- between men and women generally;
- between persons with disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to the above obligation, the Department should also in carrying out its functions, have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

12. Personal Data Related Incidents

There were no significant personal data related incidents in the Department during 2008-09.

13. Sickness Absence

Since November 2008, absence has been recorded on the new HR Connect system. Sick absence figures have been provided for the period since the introduction of the new system, however this information has not yet been validated.

The data provided shows that the Department achieved 9 days (2007-08: 11.8 days) against a target of 8.5 days.

MANAGEMENT COMMENTARY

14. Nature, objectives and strategy of the Department

The vision of the Department of Education is: “To ensure that every learner fulfils his or her potential at each stage of development”.

Our mission is to work together as partners in education and youth services to ensure a high standard of education for all children and young people, which will put them at the centre of education, motivate them, build their confidence and enrich their lives, and provide the foundation for a strong and vibrant economy.

To meet this mission the Department has developed the following supporting objectives:

- Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society; and
- Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

The primary statutory duty of the Department is to promote the education of the people in Northern Ireland and to ensure the effective implementation of education policy. Its key functions include:

- advising ministers on the determination of education policy;
- framing legislation;
- accounting for the effectiveness of the education system;
- allocating, monitoring and accounting for resources; and
- through the Education and Training Inspectorate, evaluating and reporting on the quality of teaching and learning and teacher education.

The Department’s main areas of responsibility are in 0-5 provision, pre-school, primary, post-primary and special education; the youth service; the promotion of community relations within and between schools; and teacher education and salaries.

Progress against key non-financial targets

“Priorities and Budget 2006-08” included the following Public Service Agreement targets for the Department:

Target	As at 31 March 2009
1. To promote improvement in educational attainment so that:	
By 2008, 80% of primary pupils will achieve level 4 or above in Key Stage 2 in English and 83% in Maths (compared to 76% English and 78% Maths in 2002-03).	2007-08 English 79% Maths 81%
By 2008, 63% of year 12 pupils will obtain 5 or more GCSEs (or equivalent) at grades A* to C (compared to 59% in 2002-03).	2007-08 68%
By 2008, 60% of year 14 pupils will achieve 3+ A levels at grades A to C (or equivalent) (compared to 56% in 2002-03).	2007-08 63%
2. To reduce differentials in educational attainment so that:	
By 2008, 70% of pupils in the most disadvantaged primary schools will achieve level 4 or above in Key Stage 2 in English and in Maths (compared to 63% English and 67% Maths in 2002-03).	2007-08 English 68% Maths 70%
By 2008, 83% of year 12 pupils in secondary schools will obtain 5 or more GCSEs at grades A* to G (or equivalent) (compared to 80% in 2002-03).	2007-08 89%
By 2008, 94% of year 12 pupils in the most disadvantaged post-primary schools will gain 1 or more GCSEs at A* to G (or equivalent) compared to 89% in 2002-03.	2007-08 96%
3. By the end of 2006, to develop and commence implementation of a strategy, with comprehensive plans and associated targets, for a fit for purpose education estate that is modern, meets the changing needs of learners and is cost effective.	
This target predated the Independent Strategic Review of Education which was published in December 2006. Around half the recommendations from the Review relate to estate planning. The work on improved planning of the estate has been developed since then in the context of the wider Review of Public Administration (RPA) work. Consultation on the draft Area-based Planning Policy (RPA Policy Paper 22) ended on 31 October 2008 and the revised Policy will be considered by the Assembly Education Committee as part of the legislative process leading to the establishment of ESA. The Department’s aim is to have the policy and guidance	

Target	As at 31 March 2009
agreed and in place in time for the ESA establishment date of 1 January 2010. A system of strong sustainable schools is an objective in area-based planning and to this end, the Sustainable Schools' policy, which was published on 12 January 2009, is a key consideration in the future planning of the schools' estate.	
4. To ensure equality of access to Youth Service, promote understanding and tolerance and complement broader education aspirations so that:	
By 2008, 42% of the youth population aged 4-18 years to participate in youth activities.	2008-09 48.2%

*For targets 1 and 2, the results for the academic year 2007-08 are the most recent available for publication.

Planning framework

In order to realise our vision and mission statement, the education service's activity is characterised by the following four main strategic objectives:

- **Enable learners to fulfil their potential** through ensuring equality of access to a quality education and tackling the barriers to children's learning;
- **Prepare every learner for life** through improving quality and raising standards for all children, supporting a curriculum which is relevant to individual aspirations and to social and economic needs, and motivating and empowering our young people to contribute positively to society, now and in the future;
- **Transform education for learners** by building the best support for educators across all sectors and phases and maximising the resources focused on teaching and learning;
- **Provide the best environment for learning** by securing the provision of buildings, equipment and materials that offer children a motivating and rich environment in which to learn.

15. Current and future development and performance

Investment in education and the development of young people has a major contribution to make to society and economic growth, providing opportunity for all and preparing young people for life and work in a rapidly changing and diverse world where skills and enterprise are at a premium.

Current development and performance

During 2008-09 the divisions within the Department contributed to the achievement of the Department's objectives:

➤ Raising Standards

During the year, developments were progressed in the following key areas:

- the roll out of the revised curriculum to a further four year groups, ensuring that it was now in place in Years 1, 2, 5, 6, 8, 9, 11 and 12 and the extension of the statutory Interactive Computerised Assessment System (InCAS) diagnostic assessment tool from Year 5 classes to Year 5 and 6 classes;
- the finalisation of a reworked school improvement policy, following consultation;
- the consultation on a draft strategy for raising attainment in literacy and numeracy in English-medium settings and the commissioning of work on a complementary strategy for Irish-medium settings;
- the development of policy on an assessment framework designed to support the revised curriculum and to provide information at pupil, school and system level on progress in improving educational outcomes and associated consultation on regulations governing reporting to parents and on proposed levels of progression that would inform assessment in literacy, numeracy and ICT;
- the designation of nine new specialist schools, bringing the total number of specialist schools to thirty four; and
- the involvement of some three hundred primary schools in teaching Irish or Spanish via the Primary Languages Programme and some five hundred and fifty primary schools in providing physical literacy programmes via the Primary Sports Programme.

Additionally, work continued to support the implementation of the Entitlement Framework (EF), helping schools to increase the breadth and balance of the courses and pathways on offer to young people. This included:

- encouraging collaborative course delivery by schools through new financial support arrangements;
- further refining of the EF online audit tool;
- taking forward the post-primary area based planning exercise which focussed on the delivery of the EF;
- supporting the twenty nine established Area Learning Communities through direct financial assistance and through the EF Development Officers' Regional Forum;

and

- sponsoring of two cohorts of teachers on the Regional Training Unit's Online Learning and Teaching for Educators programme.

Work also continued in conjunction with the Department for Employment and Learning, with a joint strategy for improving careers education, information, advice and guidance being launched in January 2009 and joint efforts being undertaken to promote Science, Technology, Engineering and Maths (STEM) subjects in schools in response to evidence of current and future skills shortages in STEM-related areas, including the commissioning of a STEM Truck, which will provide a mobile resource to enable STEM Specialist Schools and their partner post primary schools to raise the profile of STEM subjects.

A further area of focus was in relation to tackling the barriers that prevent young people from achieving to their full potential, through the targeted initiatives in place via the Achieving Belfast and Achieving Derry programmes; through the extended schools programme; and through the piloting of the Full Service Extended School concept in the two Model Schools in North Belfast and also, more recently, via the Full Service Community Network in West Belfast.

➤ **Development and Infrastructure**

During the year the Department continued to progress areas of work which had been highlighted in the Independent Strategic Review of Education (the Bain Report), published in December 2006. In particular, the Department developed the approach to strategic area-based planning of education in the context of the RPA work for the creation of the ESA. A draft policy paper was produced for consultation during the year and the approach will inform the RPA-related legislation. The Department also published the policy for Sustainable Schools in January 2009 which is directly relevant to the future planning of the estate. In line with the Investment Strategy for Northern Ireland, in November 2008 the Department published an Investment Delivery Plan covering planned investment in Schools and Youth Services. This includes details of approved major works projects on site or in planning. Decisions on around thirty development proposals for significant changes to the schools estate were made in the year, including some rationalisation of schools. At the end of the year there were twenty six major school building projects on site and seventy five in planning. A review of the Primary School Building Handbook was completed during the year which sets out specification and design standards for new primary schools.

➤ **Supporting and Safeguarding Children**

During 2008-09 a number of initiatives were progressed or put in place to improve the equality of access to education, to support children and young people with barriers to learning and to improve their health and well being.

In February 2009 the Minister issued draft guidelines for consultation on admissions criteria reflecting the Department's policy not to include academic criteria in its menu of recommended criteria and recommending that priority should be given to

applicants entitled to free school meals in proportion to the numbers of such applicants.

The proposals from the review of special educational needs and inclusion were forwarded to the Northern Ireland Assembly in a draft consultation document in November 2009 seeking agreement to issue for consultation. The Equality Impact Assessment on the review was also sent to the Northern Ireland Assembly in February 2009.

The Middletown Centre for Autism has continued to develop with a training programme that has covered over seven hundred individual participants mainly education and health professionals and planning permission was obtained for the new build on the site.

The policy “Every School a Good School – Supporting Newcomer Pupils” was finalised during the year and formally launched on 1 April 2009 while the Minister established a taskforce in November 2008 to assist the Department to develop an action plan on the education of Traveller children and young people.

In terms of the well being of children and young people the Northern Ireland Assembly has agreed the Food in Schools policy for issue for public consultation while the five workstreams of the Pupils’ Emotional Health and Well being Programme have continued to make progress.

➤ **Early Years, Youth and School Finance**

The Early Years Team is responsible for support to voluntary playgroups, funding of pre school places, Sure Start and funding of local early years childcare partnerships. The budget for the Pre-School Education Expansion Programme in the 2008-09 financial year was £10,312k. This secured 6,910 places in voluntary/private settings, which secured the Department’s aim of providing one year of funded pre-school education, in the year before compulsory education, for every child whose parents wish it.

The budget for Early Years related projects was approximately £21.9m in 2008-09. These funds were used to ensure coverage of the top 20% most disadvantaged wards with Sure Start services, offering support to families with children under the age of 4, through thirty two Sure Start partnership projects; provide funds via the Early Years Organisation as Intermediary Funding Body to continue the work of some playgroups that required help in order to remain viable; the development of integrated services within six Sure Start areas and core funding in relation to administrative support to two regional level organisations, Early Years – the organisation for young children’s learning and development and the Northern Ireland Childminding Association.

Work continued on developing the strategy on early years for the 0 to 6 age group. Activities which took place included liaison with stakeholders to seek views and ensure a partnership and participatory approach to the formulation of policy. An evidence based paper was developed that drew together information from stakeholders; international, national, local evidence and research; and information and recommendations from Education and Training Inspectorate surveys and reports.

This paper has informed the development of the broad themes and actions contained in the strategy.

The Department's Youth Service exists to support and encourage young people to mature and reach their potential as valued individuals and responsible citizens. Participation by young people is voluntary, and Youth Service activities which are firmly rooted in a social education ethos, are generally out-of-school or work time and non-formal. It is educational in the sense that it provides a social education within the context of a broad spectrum of diverse activity. The total budget available to the Youth Service in the 2008-09 financial year was £34m. Approximately £4m was allocated to the Youth Council for Northern Ireland, £27m to the Education and Library Boards and £2m to Voluntary Organisations. Resources were made available in respect of the Child Protection and the Youth Outreach Initiatives.

The Community Relations budget for 2008-09 was £3.4m and was used to promote community relations activities in the statutory and voluntary bodies in the school and youth sectors through the following schemes:

- the Community Relations Core Funding Scheme which is aimed at voluntary and non-profit-making organisations that can identify how their proposed programme can contribute to the improvement of community relations between young people;
- the Schools Community Relations Programme which is administered by the Education and Library Boards and aims to encourage schools to bring together young people from across the community divide;
- the Youth Service Community Relations Support Scheme which is administered by the Education and Library Boards and the Youth Council for Northern Ireland. It provides funding to youth and community groups for community relations activities which promote greater cross-community understanding and development; and
- Cultural Traditions which is administered by the Arts Council of Northern Ireland and provides grants to projects which seek to enable young people to explore and understand more about their common cultural heritage and to gain a respect for cultural diversity through the arts.

➤ **Review of Public Administration**

The implementation of the RPA in education will not merely be an amalgamation of existing services but will involve fundamental change to how the education service is supported. ESA will take on the functions of the five Education and Library Boards, the Council for the Curriculum, Examinations and Assessment, the Council for Catholic Maintained Schools, the Staff Commission for Education and Library Boards and the Youth Council for Northern Ireland. It will also take on responsibility for the delivery of front line functions from two non-statutory organisations (the Northern Ireland Council for Integrated Education and Comhairle na Gaelscolaíochta). Staff, assets and liabilities will transfer to the ESA on its establishment.

The implementation of RPA in education involves a significant programme of legislation. The Northern Ireland Assembly agreed that implementation should be progressed on a phased basis with the first phase focusing on the necessary structural and organisational change, and the second (which would follow within a year) focusing on new governance and planning arrangements for schools. The Northern Ireland Assembly decision was subsequently included in the Programme for Government. In December 2008 the Bill for the first phase was introduced to the Northern Ireland Assembly which voted to refer it to the Education Committee for scrutiny with the aim of establishing ESA on 1 January 2010. The timescales for delivery of the legislation are extremely tight and leave no margin for slippage or legal challenge.

Implementation of RPA will also require significant transformation within the Department itself and will present challenges for business continuity and financial management across the education sector. The Department recognises the complexity of the task and the need for robust processes to ensure continuity of business and implementation of change within a strong control environment. Factors influencing budgetary behaviour will be a particular focus of the monitoring arrangements between the Department and its sponsored bodies, to ensure no diminution of effective financial management in the context of the overall change programme.

The Department has established a programme with the following key objectives:

- define the relative roles and responsibilities of the Department and ESA and establish mechanisms for accountability;
- reshape the Department into an organisation that focuses on setting long term policies to optimise educational outcomes and monitoring the success of the operational delivery of those policies; and
- establish ESA through convergence of the operational functions of the eleven affected organisations to deliver the required outcomes.

➤ **Education and Skills Authority Implementation Team**

To assist in the design of ESA, workshops involving middle and senior managers from the existing organisations were held in April/May 2008 and November/December 2008. These workshops focused on the development of future service delivery models for ESA, including how services should be delivered most effectively at a regional and local level.

The Minister established two working groups on Education Quality and Children and Young People's Services to assist in shaping and structuring these services under ESA. The membership of both groups included a cross section of current providers and practitioners of education services.

The ESA Transition Board met on a regular basis to provide leadership and direction on convergence issues in the transition to ESA. Progress has been made on the establishment of new ESA ICT governance arrangements, the creation of a single

finance and accounting system and the development of the Education Estates service.

➤ **Strategy, Performance, Accountability Division**

Statistics and Research Branch carried out the following data collection exercises - Annual School Census, School Leaver Survey, Summary of Annual Examination Results, and Teacher Vacancy Survey. Five National Statistics publications were produced relating to Pupil : Teacher Ratios, Qualifications and Destinations of School Leavers, Participation rates in full-time Education by 16 and 17 year olds, Enrolments at Schools and the School Census. Reports were also produced about Key Stage data, the Omnibus Survey and School Attendance. A review of the Teacher Demand Model was also undertaken.

Future development and performance

The Northern Ireland Assembly's first Programme for Government set out the plans and priorities for 2008-2011, as well as some longer term aspirations and intentions. To support the priorities of the Programme for Government, the Northern Ireland Assembly developed a framework of twenty three Public Service Agreements (PSAs) which focus on addressing key cross-cutting issues and challenges. Details of the PSAs are available at www.pfgbudgetni.gov.uk. Departments have worked together to develop detailed Delivery Agreements for each of the PSAs.

The main challenges facing the education service over the coming years are to continue to raise overall educational standards while reducing the gap in achievement between the highest and the lowest attainers, and ensure that all young people leave school with basic skills in literacy, numeracy and Information and Communications Technology. In addition, there is a need to ensure equality of access to education, both formal and non-formal, for all learners and enable young people to develop to their full potential with the knowledge and skills they need to live, work and learn in a global society. This will require a modern, fit for purpose, education estate, fair and appropriate post-primary admissions arrangements and a streamlined and responsive education administration.

These challenges are reflected in the extensive range of Education reforms currently under way, and in the PSA targets, where the Department is contributing towards their achievement.

The Department's Budget Allocation, as detailed in the Budget 2008-2011 (www.pfgbudgetni.gov.uk), is as follows:

Current expenditure	2008-09 £m	2009-10 £m	2010-11 £m
Objective A			
Schools Mainstream	1,733.5	1,836.0	1,917.7
Schools Infrastructure	11.5	11.4	11.4
Total Objective A	1,745.0	1,847.4	1,929.1
Objective B			
Youth and Community Relations	31.4	31.7	31.9
Total Objective B	31.4	31.7	31.9
Departmental Total	1,776.4	1,879.1	1,961.0
EU Peace Programme Match Funding	0.5	-	-
Total	1776.9	1,879.1	1,961.0
Investment			
Objective A			
Schools Mainstream	4.2	4.4	1.1
Schools Infrastructure	205.4	243.9	195.0
Total Objective A	209.6	248.3	196.1
Objective B			
Youth and Community Relations	5.0	5.0	5.0
Total Objective B	5.0	5.0	5.0
Total	214.6	253.3	201.1

The Department has a target to deliver cash releasing efficiencies of £63.2 million, £124.5m and £184.0m respectively over the period 2008-09 to 2010-11, which will provide additional spending power to the Department during this time. Savings will be achieved through a range of measures including: more cost-effective delivery of services following the establishment of the Education and Skills Authority; measures to improve procurement arrangements; better management of teacher absence; increased asset disposals; streamlining of support services; and efficiencies in the Department's administration budget.

In delivering the service for 2009-10 the divisions within the Department will be involved in the following key areas:

➤ **Raising Standards**

The Department is currently being reorganised and the focus of the new Curriculum, Qualifications and Standards Directorate will continue to be on raising standards and tackling educational underachievement. The revised curriculum, which has at its

centre a clear focus on literacy and numeracy, will, from September 2009, be in place in every year group in every grant-aided school, giving our youngest pupils an improved start to primary school; placing a greater emphasis on developing not just knowledge and understanding but also the skills and qualifications that young people need for life and work; and providing greater flexibility for schools to tailor what they teach to best meet the needs of their pupils.

Within the revised curriculum, there will be a particular focus on supporting teachers in raising standards in literacy and numeracy, and new assessment arrangements will be developed that will clarify the standards expected in literacy and numeracy and ICT at the end of Key Stages 1 to 3.

Work will continue to provide post-primary pupils with greater access to a range of academic and vocational courses, with collaboration between schools and with the further education sector, in preparation for 2013 when all pupils will be entitled to have access to at least 24 courses at Key Stage 4 and 27 at post-16, at least a third of which must be general and a third applied in nature. This work will also include a focus on developing qualifications that will support the delivery of more applied courses as part of the Entitlement Framework.

New arrangements will, through the Education Bill, be put in place for the regulation of external qualifications, with action being taken to ensure that qualifications are developed and awarded in a way that engenders public confidence and ensures consistency of approach within the existing three-country framework.

Investment in school-related ICT will continue, with a clear focus on ensuring that ICT can continue to support teaching and learning and assessment and that it can make a full contribution to the raising standards agenda and a clearer strategic framework within which the investment in and deployment of ICT resources can be planned and delivered.

Priority will also be given to the implementation of *Every School a Good School* and there will be careful monitoring of progress in implementing the actions and commitments it contains.

➤ **Development and Infrastructure**

The Investment Strategy for Northern Ireland recognises the importance of delivering a modern and sustainable estate to support the development of a well educated populace with the skills to engage fully and positively in society and the economy. Major schools building projects in the Investment Delivery Plan which are currently in planning will be progressed over the period, as well as providing for continued investment in the youth estate.

In conjunction with the establishment of the new Education and Skills Authority, improvements will be made to the strategic planning of education following the completion of work on the policy approach. The Department will finalise operational guidance on area-based planning in time for the establishment of the ESA.

The Department will also continue to work with the Department of Finance and Personnel (DFP) and the Strategic Investment Board to improve the procurement approaches across the education sector required to deliver the anticipated levels of investment in education.

➤ **Supporting and Safeguarding Children**

Tackling disadvantage and meeting the requirements of children and young people with additional educational needs will continue to be a priority for the Department.

The Department will issue the final guidance on Transfer 2010 and work with the Education and Library Boards and the Education and Skills Authority on the admissions process.

When the Northern Ireland Assembly gives agreement, the public consultation on the review of special educational needs and inclusion will commence. Meanwhile work will proceed on plans to utilise the £25m secured for the implementation of the review in 2009-10 and 2010-11. The development of the Middletown Centre for Autism will be taken forward along with the Department of Education and Science and work will commence on an autism strategy for education.

The Taskforce on Traveller Education will report in early 2010 and an action plan will be drawn up while the Department will consult on a policy for alternative education provision and continue to develop policy in relation to safeguarding children and their well being.

➤ **Early Years, Youth and School Finance**

In addition to the continuation of the existing range of services across Early Years and Pre-School, the Department will continue to develop its early years 0-6 strategy with consultation planned for autumn 2009.

The Department, in conjunction with stakeholders, will develop Priorities for Youth which will reflect the new era in which the Department will be responsible for establishing the strategic direction for the Youth Service, setting policy, priorities and standards while the new Education and Skills Authority will be responsible for delivery of services.

➤ **Review of Public Administration**

The Budget allocation will enable the reform of education administration to be taken forward through the establishment of ESA on 1 January 2010. By reducing bureaucracy and improving the quality and cost effectiveness of the education service, this reform will support the drive to raise standards through a streamlined, strategic and responsive administration.

Primary legislation for the first phase of the RPA is currently making its way through the Northern Ireland Assembly legislative process and it is planned that legislation for the second phase will be introduced to the Assembly before the 2009 summer recess.

The Department aims to have both pieces of legislation on the statute books by the end of December 2009.

In the period to December 2009 new ESA service delivery models, associated structures and appropriate governance and accountability arrangements will be put in place. The Department and the ESAIT will continue to work with the existing organisations to ensure the on-going delivery of education and youth services and a smooth transition to the new ESA.

➤ **Education and Skills Authority Implementation Team**

The Budget allocation will enable the reform of education administration to be taken forward through the establishment of an Education and Skills Authority on 1 January 2010. This reform will allow for a reduction in bureaucracy and the improvement in the quality and cost effectiveness of the education service, and will support the drive to raise standards and outcomes for all children and young people.

Further work will take place on the future service delivery models for ESA in terms of people, skills and resources required to deliver services effectively. This will inform work on organisational structure down to head of service level. Following consultation, it is intended that the ESA Director level structure will be finalised and the recruitment of ESA Directors will commence.

The Recruitment, Redeployment and Voluntary Severance Strategy has been agreed and the processes will be managed in a phased and targeted manner. Expressions of interest in voluntary severance among senior management in the current organisations will be sought.

Work will progress on identifying options for the location of the ESA headquarters, regional and local offices. This will include an options analysis, taking into account the Public Service Commission Guiding Principles on Location, the Bain Recommendations on the Location of Public Sector Jobs agreed by the Northern Ireland Assembly and equality legislation.

➤ **Strategy, Performance, Accountability Division**

Annual Surveys and the School Census will be undertaken, and reports produced in line with National Statistics requirements. There will also be a pilot of a change to the method of data collection for the Annual Census, running in parallel with the main fieldwork. The main expenditure from the research budget will be for the participation in and fieldwork relating to the survey for the Programme for International Student Assessment.

16. Resources

A key resource available to the Department is its employees. Both staff and managers at all levels of the organisation continue to face a programme of modernisation that will provide efficient and focused services. An Organisation Design and Implementation Project in liaison with Corporate Services and RPA Division is taking

forward work on areas such as the High Level Functional Analysis, human resource issues for Departmental RPA affected staff including the Department's Staff Transfer Scheme, and the implementation of a new Directorate structure for the Department. Staff will be kept fully informed of developments in all these areas as they progress.

Equal opportunities

The Department is an Equal Opportunity employer and fully endorses the Northern Ireland Civil Service Equal Opportunities Policy Statement. The policy is that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. Everyone has the right to equality of opportunity and to a good and harmonious working environment in which no person feels under threat or intimidated.

The Department is fully committed to the elimination of all forms of discrimination, harassment and victimisation, not only because of the legal requirements under which it operates, but because it makes sound business sense and ensures that working relationships are based on mutual trust, respect and understanding.

The Department seeks to create a working environment where individual differences are valued and respected enabling all staff to give of their best and helps them to respond more effectively to the needs of the people we serve.

Employment of people with disabilities

The Northern Ireland Civil Service's Equal Opportunities Policy and the Code of Practice on the Employment of People with Disabilities provide the framework used by the Department to achieve equality of opportunity for people with disabilities. The Department is committed to ensuring that consideration and the implementation of reasonable adjustments are made to ensure that disabled staff can make full use of their skills and abilities.

Provision of information to employees

Information on matters of interest to employees is provided to them by a number of means such as the HR Connect Portal, the Department's intranet, the in-house magazine, issue of circulars and regular team briefings.

The Department has agreed consultation arrangements with the recognised trade union, the Northern Ireland Public Service Alliance (NIPSA), and meets formally twice a year. In addition, trade union side is regularly consulted on matters relating to employees' terms and conditions.

17. Risks and uncertainties

Risk management has been incorporated into the corporate planning and decision-making processes of the Department. The Department's Risk Management Framework defines the framework and describes the process for identifying and managing risks within the Department. Further details on the Department's capacity

to handle risk, the risk and control framework within which the Department operates, and a review of the effectiveness of the Department's system of internal control are provided in the Statement on Internal Control which identifies any significant internal control issues faced by the Department.

18. Relationships

The Department provides funding to a number of executive NDPBs and Public and Private Sector Bodies (detailed in paragraph 5), which have responsibility for the delivery of Educational and Youth Services. The performance of these bodies which directly influences the ability of the Department to achieve its objectives, is monitored by sponsor branches within the Department. Sponsor branches are responsible for governance and accountability issues, budgetary allocation and planning, monitoring and general financial control of income and expenditure by the bodies they sponsor.

19. Financial position

Comparison of outturn against Estimate

The Department's Net Resource Outturn for the year was £1,938m compared to a total of £2,025m authorised by Parliament. The main factors causing this variance were:

A-1 Education and Library Boards – Departmental overheads

The underspend is mainly due to a reduction in the budget following the Spring Supplementary Estimates; this reduction was required to enable a transfer of resources to the Department of Agriculture and Rural Development.

A-4 Miscellaneous Educational Services

The underspend was due to less than expected spend across a number of budgets; the main elements of underspend were in respect of consultancy costs in relation to developing and rolling out the Estate Policy, the Primary Sports Initiative and capital spend in respect of the Middletown Centre for Autism.

A-6 Early Years Services

The underspend was largely due to recruitment delays arising from Access NI checking times which resulted in lower than anticipated grant requirements.

A-8 Education and Library Boards

The Spring Supplementary Estimates included provision for payment of grants to the Education and Library Boards to fund the payment of job evaluation schemes for classroom assistants and cleaners. While these costs have been provided for in the accounts of the Education and Library Boards the full grant to fund the actual payments was not called down by 31 March 2009.

The Spring Supplementary Estimates included provision for payment of grants to the Education and Library Boards to fund capital spend. While these costs have been provided for in the accounts of the Education and Library Boards the full grant to fund the actual payments was not called down by 31 March 2009.

In addition, schools spent less than their delegated budgets under Local Management of Schools.

A-9 Voluntary and Grant Maintained Integrated Schools

Grant requirements were lower than expected due to slippage on capital projects.

A-10 Council for the Curriculum, Examinations and Assessment (CCEA)

The underspend was mainly due to CCEA receiving increased income from exam fees and lower than expected requirements in relation to project work.

A-13 Integrated Development Fund

Grant requirements were less than expected as the programme did not progress as quickly as originally anticipated.

B-7 Education and Library Boards

The Spring Supplementary Estimates included provision for payment of grants to the Education and Library Boards to fund the payment of arrears and on-going costs relating to part-time youth workers. While these costs have been provided for in the accounts of the Education and Library Boards the full grant to fund the actual payments was not called down by 31 March 2009.

B-9 Integrated Development Fund

Grant requirements were less than expected as the programme did not progress as quickly as originally anticipated.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2008-09 £000	2007-08 £000
Net Resource Outturn (Estimates)	1,938,102	1,831,165
<i>Adjustments to additionally include:</i>		
Consolidated Fund Extra Receipts in the OCS	(4,425)	(13,920)
Net Operating Cost (Accounts)	1,933,677	1,817,245
<i>Adjustments to remove:</i>		
Capital grants	(3,028)	(1,956)
Voted expenditure outside the budget	(1,865,453)	(1,768,128)
Notional inter-departmental charges	(4,119)	(2,632)
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	4,425	13,920
Resource consumption of non-departmental public bodies	1,978,179	1,854,170
Other adjustments	-	(6)
Resource Budget Outturn (Budget) *	2,043,681	1,912,613
of which		
Departmental Expenditure Limits (DEL)	1,787,611	1,713,870
Annually Managed Expenditure (AME)	256,070	198,743

* 2008-09 figures are provisional outturn; 2007-08 figures are final outturn.

Going concern

The balance sheet at 31 March 2009 shows negative taxpayers equity of £25.4m. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the Department of Education's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent moneys, including those derived from the Department's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Department of Education's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by the Northern Ireland Assembly. Such approval for amounts required for 2009-10 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Contingent liabilities included for Parliamentary reporting and accountability

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

20. Environmental, social and community issues

The Department of Education contributes to the overall Government objectives on sustainable development in a number of ways. The government estate in Northern Ireland is managed centrally by DFP. DFP aims to oversee a government estate which:

- is sustainably procured, operated and managed;
- leads in the sustainable procurement of works, supplies and services;
- is resource efficient;
- makes efficient use of space and ways of working, in buildings that are exemplars of energy, water and carbon efficiency in operation and maintenance;
- conserves and sustainably manages land and encourages biodiversity; and
- integrates the principles of sustainability fully into working practices.

A central approach is also taken to procurement and this is led by the Central Procurement Directorate which is also located within DFP.

The DFP led nature of both the management of the government estate and procurement means that a number of key targets are set centrally. These targets relate primarily to the government estate but this Department has a role to play in managing its particular contribution towards those targets for example, in relation to the schools' estate and the curriculum for schools.

The Department is committed to achievement of sustainability in construction procurement. Sustainable construction is about building, engineering and refurbishment projects that promote environmental, social and economic gains now and for the future, helping to create a better quality of life today and for generations to come. The Sustainable Construction Group, membership of which includes representation from Centres of Procurement Expertise and Government Construction Clients in Northern Ireland issues advice and guidance on this subject. The Department's Building Branch issues essential guidance on sustainability to all the education providers in Northern Ireland in the form of Technical notes published by the Central Procurement Directorate. All school projects that receive capital funding from the Department are expected to comply with the requirements detailed in the Technical notes.

The Department's Building Branch has also written to all school authorities who have capital schemes in planning informing them of the requirements relating to the Achieving Excellence Initiative for Northern Ireland and in particular the Achieving Sustainability in Construction Procurement - Sustainability Action Plan. The importance of all projects complying with those Guidelines and in particular the Building Research Establishment Environmental Assessment Method (BREEAM), which is used to assess the environmental performance of both new and existing buildings, was stressed. In addition, projects funded in the education sector through

the Central Energy Efficiency Fund (administered by DFP) complement the need for the overall Schools Capital Programme to take account of energy efficiency/renewable technologies in school buildings.

Education for Sustainable Development is a key element throughout the revised curriculum currently being introduced on a phased basis at both primary and post-primary level. It aims to develop the young person as a contributor to the environment. Sustainable development and biodiversity are also explicit parts of the revised curriculum in areas such as geography and science. Pupils will address issues such as environmental change, bio-diversity and managing the human impact on the environment.

The Department's role in relation to social and community issues is shaped by a range of strategies from other areas of government. Those with the most direct bearing on education are the Children and Young People Strategy (www.allchildrenni.gov.uk), A Shared Future (www.asharedfutureni.gov.uk) and the Northern Ireland Investment Strategy (www.dfpni.gov.uk). In addition, an overriding priority for education is to promote equality of opportunity, so that all learners are given an equal chance to succeed.

21. Disclosure of information to auditors

As Accounting Officer I can confirm that I am not aware of any relevant audit information of which the Department's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

CORPORATE GOVERNANCE

22. Operation of the Departmental Board

The Board comprises the Permanent Secretary, as chair, the Deputy Secretaries, a professional Head of Finance (in line with paragraph 3.3 of the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments (the Code)), the Chief Inspector of the Education and Training Inspectorate and two independent non-executive directors. The Board leads the work of the Department by charting the overall strategic direction, and providing leadership on major operational and management issues including the following:

- leading the Department by providing and communicating a system-wide strategy and vision;
- leading the Department in the implementation of that strategy and vision through:
 - setting the Department's standards and values;
 - ensuring delivery of the Department's business plans;
 - the development of policy and the directing of change; and
 - the allocation of resource.
- monitoring the implementation of that strategy by:
 - tracking delivery progress against targets and expenditure;
 - holding the Department and its delivery partners to account for this progress;
 - safeguarding against and managing risk; and
 - maintaining internal controls.
- managing, monitoring and improving the performance of the Department, leading organisational change where it is necessary.

The Board meets on the first Thursday of each month. In the month preceding the Board meeting, the Board Secretariat draws up the meeting agenda from a Board Forward Planner of Routine and non-Routine Business. This document plots the Board's fulfilment of its responsibilities by timetabling five categories of Board business:

- financial matters and allocations;
- business planning;

- policy and strategy;
- management; and
- risk management and internal controls.

The Board is regularly serviced by reports and updates across all these areas. Minutes of the Board meetings are made available to staff.

23. Independent Board members

Dr Roger Platt and Mr Kevin Steele were appointed as non-executive Board members in October 2006. The appointment process followed the guidance set down in paragraph 2.8 of the Code, including an emphasis on transparency, objectivity and induction. The Board has assured itself of the independence of the non-executive board members.

The role of the non-executive members of the Board is to provide an independent and external perspective on the work of the Board and to bring specific expertise to its discussions.

24. The work of the Departmental Board's Audit and Risk Management Committee

The Department of Education Board has established an Audit and Risk Management Committee (ARMC) to support the Board in its responsibilities for issues of risk, control and governance and associated assurance. The ARMC is a sub-committee of the Departmental Board and is an independent advisory committee with no executive functions. The Terms of Reference for the ARMC is approved by the Departmental Board and is reviewed annually.

The Department regularly reviews the makeup and remit of the ARMC to ensure that it aligns with best practice guidance and properly reflects the existing governance and Board structures in the Department. The ARMC is chaired by an independent non-executive member of the DE board and membership consists of a second independent non-executive board member, both Departmental Deputy Secretaries and a senior officer from within the organisation who does not have a direct role in the production of financial information or formal management responsibility for finance or internal control issues. The ARMC meets quarterly and a minimum of two members will be present for the meeting to be deemed quorate.

The ARMC is regularly attended by the Department's Finance Director, Head of Internal Audit, Head of Accounts and Northern Ireland Audit Office representatives. The Department's Accounting Officer and other Departmental officials including heads of divisions and branches attend meetings to assist the Committee with its discussions.

Following each meeting the Committee provides a report to the Department's Board clearly communicating the ARMC's advice and recommendations. A copy of the full agenda for each meeting is also provided to the Board. The chair of the ARMC meets separately with the Accounting Officer and the Department's Board and produces a formal report to the Board at year end reporting on its effectiveness and outlining the key aspects of Committee work during the year.

The ARMC is supported by a professionally qualified Internal Audit service which operates to the standards and quality defined in the Government Internal Audit Standards. The Head of Internal Audit and the Northern Ireland Audit Office representatives (external audit) have free and confidential access to the Chair of the Committee.

The Department has formally reviewed the degree to which it meets the requirements of the Audit Committee Handbook and has reported a substantial level of compliance. ARMC principles are kept continually under review to ensure that best practice is maintained.

The Department has disseminated Audit Committee best practice guidance to all of its Arm's Length Bodies (ALBs) and has reviewed the extent to which its ALBs are compliant with the Audit Committee Handbook. The majority of ALBs have reported full compliance or have actions planned to achieve full compliance. Where full compliance was not reported, the Department has planned a range of actions to assist ALBs to meet the spirit of the guidance, whilst taking account of the individual circumstances of those bodies concerned. The principles of the Audit Committee handbook will form the basis for the establishment of the Audit Committee in the Education and Skills Authority.

25. Management of the Department's relationships with arm's length bodies including NDPBs

The Department has written agreements with all arm's length bodies some of which have been revised recently. Mechanisms are in place for performance reporting during the year and at year-end, by the arm's length bodies.

26. Other Corporate Governance arrangements

The Department also has the following Corporate Governance arrangements in place:

- Statements on Internal Control are completed annually and are discussed with the Audit and Risk Management Committee and discussed and agreed with the Departmental Board;
- senior managers provide the Accounting Officer annually with signed assurances regarding their areas of responsibility;
- the Department's Board members possess a range of appropriate business skills and undertake continual professional development; and

- a system exists for succession management and talent development of the Department's Board members.

27. Developments in the Department's Corporate Governance arrangements

The Department's Corporate Governance arrangements are a vital element of the overall control framework and in recognition of the importance of having information on their adequacy and effectiveness they were formally documented during the 2007-08 financial year, within the Corporate Governance Framework, the contents of which are reviewed annually.

The Corporate Governance Framework evolved from the Planning and Accountability Review carried out in 2004, which recognised that more coherent information was required on the Department's Planning and Accountability arrangements. Subsequent developments, including the HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice and Dear Accounting Officer letter (DFP) 15/06 Corporate Governance: Reporting, set out the requirements for measurement and publication of corporate governance arrangements and management actions.

The objectives of the Planning and Accountability Review were to improve alignment and co-ordination of planning and monitoring arrangements, ensure a consistent and co-ordinated approach to external relationships, improve clarity in the role of senior management, sponsor branches and central branches and improve the Department's ability to demonstrate accountability.

The Department's Corporate Governance Framework is intended to provide a combined summary of the specific areas and responsibilities for Corporate Governance actions within the Department, together with an evaluation of each of the areas identified from a range of assurance sources. This composite information can then be utilised for the following purposes:

- to inform the Accounting Officer's overall opinion of the risk management, control and governance arrangements when compiling the Department's Statement on Internal Control and to identify areas where further assurance is required;
- to provide the Departmental Board with an overview of the Corporate Governance processes and responsibilities within the Department at given points in time throughout the year;
- to provide the means through which management can monitor compliance and direct further improvements to enhance Departmental performance;

- to provide an effective tool by which to verify the effectiveness of management direction and control; and
- to help promote compliance with the HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice.

To promote compliance with the framework, Corporate Governance is recognised by all concerned as an integral component of the Department's management function.

During the 2006-07 financial year a review of Corporate Governance was undertaken by the Department's Internal Audit Branch. The review concluded that the core elements of Corporate Governance were operating satisfactorily within the Department however there were areas for improvement or development. A subsequent review examined the implementation of the recommendations made and verified that the following enhancements were in place:

- the Departmental Board Terms of Reference has been reviewed, updated and agreed by the Minister;
- potential conflicts of interest are now an annual standing agenda item for the Departmental Board members;
- the performance of the Departmental Board will be subject to annual review;
- a formal Terms of Reference for the Audit and Risk Management Committee has been agreed and published on the Department's intranet;
- the Department's risk management framework was reviewed, updated, endorsed by the Department's Board and published on the Department's intranet; and
- guidance on risk management has been developed and published on the Department's intranet.

Governance arrangements for ESA are being developed taking account of the recommendations of the following reports:

- Dear Accounting Officer letter (DFP) 14/07 Public Bodies: A guide for NI Departments;
- NIAO report "Good Governance - Effective relationships between Departments and their Arm's Length Bodies"; and
- Managing Public Money.

REMUNERATION REPORT

28. Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. Further information about the work of the Review Body can be found at <http://www.ome.uk.com/>.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of Northern Ireland Civil Service (NICS) Permanent Secretaries in line with the agreed response to the annual recommendations of the Senior Salaries Review Body.

Staff are appraised annually in line with the Professional Skills for Government (PSfG) and individually targeted objectives. The pay award for staff in the Northern Ireland Senior Civil Service (SCS) comprises two elements: a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The non-consolidated bonuses are payable to a proportion of SCS staff as part of the annual pay award.

29. Performance Management

The Performance Management System for the Senior Civil Service provides a means to improve management of individual performance and a better link between organisational success, individual contribution and reward. It links objective setting to business objectives; encourages the development of skills and knowledge in line with the PSfG; focuses on personal development through the mid-year development review; and rewards results through the performance review and pay awards.

30. Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Dr Roger Platt's appointment as a non-executive director was extended from 1 October 2008 to 30 September 2010 and Mr Kevin Steele's appointment was extended from 1 October 2008 to 30 September 2011. The Department and the non-executive directors may terminate the appointment before the expiry of the fixed period by giving three months' notice in writing.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

31. Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Minister and most senior management of the Department. The Remuneration of Independent Board Members is laid down in guidance on appointments, provided by the Office of the First Minister and Deputy First Minister.

Remuneration (Audited) Minister	2008-09 Salary £	2008-09 Benefits in kind (to nearest £100)	2007-08 Salary £	2007-08 Benefits in kind (to nearest £100)
Ms Caitriona Ruane MLA	37,801	-	33,940	-
Remuneration (Audited) Officials	2008-09 Salary £000	2008-09 Benefits in kind (to nearest £100)	2007-08 Salary £000	2007-08 Benefits in kind (to nearest £100)
Mr Will Haire Permanent Secretary	115-120	-	110-115	-
Mr John McGrath Deputy Secretary (Note a)	95-100	-	- (85-90 full year equivalent)	-
Dr Robson Davison Deputy Secretary	115-120	-	110-115	-
Dr Eddie Rooney Deputy Secretary Until 22 February 2008 (Note a)	-	-	85-90	-
Mr Stanley Goudie Chief Inspector, Education and Training Inspectorate From 1 September 2008	85-90 (90-95 full year equivalent)	-	-	-
Ms Marion Matchett Chief Inspector, Education and Training Inspectorate Until 31 August 2008	45-50 (95-100 full year equivalent)	-	105-110	-
Dr Mark Browne ESAIT	75-80	-	65-70	-
Mrs Dorothy Angus Supporting and Safeguarding Children	75-80	-	70-75	-
Mrs Catherine Daly Finance Director	60-65	-	65-70	-
Mr Eugene Rooney Development and Infrastructure	75-80	-	70-75	-
Ms Louise Warde Hunter Early Years, Youth and School Finance	65-70	-	55-60	-

Remuneration (Audited) Officials	2008-09 Salary £000	2008-09 Benefits in kind (to nearest £100)	2007-08 Salary £000	2007-08 Benefits in kind (to nearest £100)
Mr David Woods Strategy, Performance and Accountability Until 30 November 2008	60-65 <i>(85-90 full year equivalent)</i>	-	80-85	-
Mrs Maura McCusker Corporate Services	65-70	-	65-70	-
Mrs Katrina Godfrey Raising Standards	65-70	-	60-65	-
Mr Chris Stewart Review of Public Administration	70-75	-	65-70	-
Mr Gavin Boyd Chief Executive Designate, ESA	160-165	-	145-150	-
Dr Roger Platt Non-executive director	5-10	-	5-10	-
Mr Kevin Steele Non-executive director	5-10	-	5-10	-

Note a - Mr John McGrath joined the Department on 25 February 2008 but his salary to 31 March 2008 continued to be paid by his former Department, the Department for Social Development. Dr Eddie Rooney transferred to the Office of the First Minister and Deputy First Minister on 25 February 2008 but his salary to 31 March 2008 continued to be paid by the Department of Education.

Salary

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

The Department of Education was under the direction and control of Ms Caitriona Ruane MLA during the financial year. Her salary and allowances were paid by the Northern Ireland Assembly and have been treated as a notional cost in this resource account. These amounts do not include costs relating to the Minister’s role as MLA which are disclosed elsewhere.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Pension Benefits (Audited)

Minister	Accrued pension at age 65 as at 31 March 2009 £000	Real increase in pension at age 65 £000	CETV at 31 March 2009 £000	CETV at 31 March 2008** £000	Real increase in CETV £000
Ms Caitriona Ruane MLA	0-5	0-2.5	16	8	8

***The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.*

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2008 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Retail Prices Index. Ministers pay contributions of 6% of their Ministerial salary. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 22.6% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a

Minister. CETV's are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the increase in accrued pension due to the Department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Pension Benefits (Audited)						
Officials	Accrued pension at age 60 as at 31 March 2009 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2009 £000	CETV at 31 March 2008*** £000	Real increase in CETV £000	Employer contribution to partnership account (nearest £100)
Mr Will Haire Permanent Secretary	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	740	673	6	-
Mr John McGrath Deputy Secretary	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	751	682	6	-
Dr Robson Davison Deputy Secretary	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	1,159	1,066	5	-
Mr Stanley Goudie Chief Inspector, Education and Training Inspectorate From 1 September 2008	40-45 plus lump sum of 120-125	2.5-5.0 plus lump sum of 12.5-15.0	916	766	102	-
Ms Marion Matchett Chief Inspector, Education and Training Inspectorate Until 31 August 2008	45-50 plus lump sum of 135-140	0-2.5 plus lump sum of 0-2.5	1,070	1,033	17	-
Dr Mark Browne ESAIT	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	343	309	5	-
Mrs Dorothy Angus Supporting and Safeguarding Children	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	551	505	4	-
Mrs Catherine Daly Finance Director	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 0-2.5	391	355	3	-

Pension Benefits (Audited)

Officials

	Accrued pension at age 60 as at 31 March 2009 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2009 £000	CETV at 31 March 2008*** £000	Real increase in CETV £000	Employer contribution to partnership account (nearest £100)
Mr Eugene Rooney Development and Infrastructure	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	390	352	6	-
Ms Louise Warde Hunter Early Years, Youth and School Finance	0-5	0-2.5	61	45	10	-
Mr David Woods Strategy, Performance and Accountability Until 30 November 2008	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 0-2.5	951	915	9	-
Mrs Maura McCusker Corporate Services	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	675	619	-	-
Mrs Katrina Godfrey Raising Standards	10-15 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	209	190	2	-
Mr Chris Stewart Review of Public Administration	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	262	232	8	-
Mr Gavin Boyd Chief Executive Designate, ESA	0-5	0-2.5	70	35	28	-
Dr Roger Platt Non-executive director	-	-	-	-	-	-
Mr Kevin Steele Non-executive director	-	-	-	-	-	-

*** The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based “final salary” defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants

joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an “earned pension” arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The

Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Signed: _____
Accounting Officer

Date: 1 July 2009

DEPARTMENT OF EDUCATION

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Department of Education to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department of Education and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the principal Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department as principal Accounting Officer of the Department of Education. In addition, the Department of Finance and Personnel has appointed an additional Accounting Officer to be accountable for those parts of the Department's accounts relating to specific requests for resources and the associated assets, liabilities and cash flows from 1 April 2009 until 31 December 2009. This appointment does not detract from the Head of Department's overall responsibility as Accounting Officer for the Department's accounts.

The allocation of Accounting Officer responsibilities in the Department from 1 April 2009 is as follows:

RFR A

Function Lines (A8, A10, A11, A12 and A13):

Gavin Boyd (Chief Executive Designate of the Education and Skills Authority)

All Other Function Lines

Will Haire (Permanent Secretary)

RFR B

Function Lines (B7, B8 and B9):

Gavin Boyd (Chief Executive Designate of the Education and Skills Authority)

All Other Function Lines

Will Haire (Permanent Secretary)

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department of Education's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in *Managing Public Money Northern Ireland*.

DEPARTMENT OF EDUCATION

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Education's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

All relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of departmental policies, aims and objectives and where necessary are brought to the attention of the Minister.

The risk management, control and governance process within the Department includes the arrangements by which the Department manages relationships with NDPBs. This Statement on Internal Control takes account of any significant control issues or failures within the Department's NDPBs.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department of Education for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with the Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Department's Board has collective responsibility for monitoring and reviewing the high level risks recorded in the Department's risk registers. The Board has procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

The Department's Risk Management Framework provides direction on the Department's underlying approach to risk management, including the roles and responsibilities of the Departmental Board, the Audit and Risk Management Committee, Heads of Divisions, Heads of Branches, Internal and External Audit.

4. The risk and control framework

The Department has set out its approach to risk management in a Risk Management Framework, which also outlines the mechanisms through which potential risks to the achievement of the departmental objectives are identified and evaluated. Appropriate procedures have been carried out to ensure that risks associated with the Department's key objectives have been assessed, and determine a control strategy for each of the significant risks. Risk ownership has been allocated to the appropriate staff.

The nature of the risk, the current level of control, any further action being taken, and risk owners, are recorded in the Department's risk registers. The Department's Risk Management Framework includes guidance which helps to ensure consistent evaluation of risk.

The following key principles underline the Department's approach to risk management:

- the Departmental Board assumes responsibility for risk management across the Department as a whole;
- an open and receptive approach by the Departmental Board to discussing and addressing risks across the Department;
- conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- monitoring of key risks will be undertaken by senior management;
- senior management will support the Divisional/Branch implementation and ongoing management of risk; and
- the risk management process is integrated with normal management processes and informs the annual business planning cycle so as to link risk management and internal control firmly with the Department's ability to fulfil its business objectives.

The Department's Board describe the Department's risk appetite as risk aware and prudent, reflecting the fact that public money can only be used for the purposes intended and authorised; and there are higher public expectations on government departments to safeguard and make good use of public funds than there would be on a private organisation. Risks are identified, evaluated and managed to ensure that the Department's exposure is within an acceptable range. The Department has established an evaluation framework to assist managers in assessing the level of risk.

The Department's Board has ultimate responsibility for ensuring an effective risk management process is in place and is regularly reviewed. The Department's Board works with Heads of Division to collectively agree the risks to be included in the Department's Corporate Risk Register and to assign ownership of each risk.

The Department has data security policies, systems and controls in place to ensure security of data and to ensure that staff take appropriate measures when accessing and processing personal information to maximise the security of such data. These are currently being revised to ensure there is a clear comprehensive policy accessible to staff on the Department's

intranet and a range of actions are planned to strengthen the monitoring and control arrangements.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Department's Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Department's Board is responsible for setting the tone and influencing the culture of risk management within the Department including:

- determining the Department's "appetite for risk";
- determining which types of risk are acceptable and which are not;
- discussing and approving issues that significantly affect the Department's risk profile or exposure;
- continually monitoring the management of significant risks and ensuring that actions to remedy control weaknesses are implemented;
- satisfying itself that the less significant risks are being appropriately managed by senior management at Divisional/Branch level; and
- reviewing annually (or more frequently) the effectiveness of the organisation's process of internal control and ensuring the Department is compliant with corporate governance best practice including ongoing maintenance and development of risk management and review processes.

In relation to risk management, the Audit and Risk Management Committee provide a forum to discuss risk management matters and advise the Department's Board on:

- the strategic processes for risk and adequacy of risk management and internal control;
- the quality of Corporate and Divisional Risk Registers; and
- the outcome of internal monitoring of Corporate and Divisional Risk Registers.

The role of Heads of Division in the risk management process includes responsibilities for:

- establishing and maintaining a sound system of internal control within their Division;

- identifying and managing the key risks within their business area and summarising these in the form of Divisional Risk Registers;
- monitoring and reporting to the Department's Board on key risks and controls in the context of regular management reports or other agreed arrangements;
- notifying the Department's Board and the Audit and Risk Management Committee when there is a significant change to the Divisional risk profile; and
- providing an annual assessment of the significant risks and controls for their Division in accordance with best practice corporate governance requirements.

The Heads of Branch role in the risk management process includes responsibilities for:

- establishing and maintaining a sound system of internal control within their Branch;
- identifying and managing the key risks within their Branch on a day by day basis;
- providing supplementary assurance to Head of Division, as and when required, on aspects of the Branch's risk management and internal control framework; and
- liaising with Head of Division on a regular basis to review risk exposure within the Branch and identifying and capturing those risks within the Divisional risk register that are considered to be of appropriate significance.

Internal Audit carry out independent reviews of the effectiveness of risk management and control and report these results to Heads of Branch and the Accounting Officer. Internal audit also has a role to play in providing advice on the management of risk, especially those issues surrounding the design, implementation and operation of systems of internal control; and promoting risk and control concepts within the Department.

The risk management arrangements currently in place have been independently assessed by Internal Audit against HM Treasury guidance. This review has confirmed a high level of compliance with the guidance.

My review of the effectiveness of the system of internal control is also informed by:

- regular performance information provided by managers with executive responsibilities;
- the subsidiary statements on internal control presented by Heads of Branch and Heads of Division within the Department, who have responsibility for the development and maintenance of the internal control framework in their respective areas;
- the statements on internal control, and associated documentation, submitted by the Accounting Officers of the Department's NDPBs; and
- comments made by the external auditors in their management letters and other reports.

In regard to Job Evaluation Schemes in Education and Library Boards (ELBs), an accredited Job Evaluation Scheme in line with a UK agreed process was undertaken by ELBs to address a major risk, i.e. to stem the flow of the growing number of expensive equal pay claims arising in the public sector and to ensure fairness and objectivity in the treatment of staff. To address the risk of affordability I have asked Boards to keep the Department fully informed of the potential costs of any Job Evaluation Schemes and to seek both the Department's and the Department of Finance and Personnel's approval before they conclude a deal with the Trade Unions. The vast majority of evaluations have now been completed and the ELBs have been advised that all outstanding evaluations must be progressed as a matter of urgency and in accordance with the agreed procedures. In addition, a moratorium has been placed on any new evaluations and any re-evaluations until a way forward on job evaluation has been agreed for the new Education and Skills Authority.

6. Significant internal control issues

Risk Management Control and Governance Assurance

The Head of Internal Audit has provided me with a report on internal audit activity within the Department during the year and an annual assurance statement. The Internal Audit assurance reflects an aggregate of the assessment ratings of internal audit over a three year period from 2006 to 2009. These indicate that the system of governance, risk management and internal control in the Department is satisfactory in part, but that there are a number of significant weaknesses which need to be addressed promptly. Her overall opinion is that the level of assurance which management can derive from the system in place is limited.

There are however a number of mitigating actions which have already been taken to address the weaknesses identified. In particular these include the establishment of a robust process for the monthly monitoring of expenditure for the Department and the Department's funded bodies on a consistent basis. These enhanced arrangements provide for more effective financial control and forecasting together with improved governance and internal control procedures across the Department particularly as we move toward the establishment of the new Education and Skills Authority.

The main issues raised in the 2008-09 Internal Audit Report are the Teachers' Payroll Computer System and the Security of Data in the Department and are commented on below.

The Department has a process in place whereby audit reports that receive a less than satisfactory assurance rating are subject to regular follow up to ensure that appropriate management action is taken in a timely manner. The ARMC also provide a scrutiny role, challenging management to ensure that systems are promptly strengthened to address the weaknesses identified in the audit.

Replacement Teachers' Payroll System

Since the Department assumed Senior Responsible Officer and Accounting Officer functions on 1 April 2009 for the Teachers' Payroll System Replacement Project, an effective Project Board has been in place and satisfactory progress is being made. The permanent Teachers' Payroll was successfully implemented in April 2009 and work is currently underway to

ensure delivery of the temporary Teachers' Payroll. It is intended that this will be completed by August 2009.

Data Security

Following a number of reported data security incidents in Government departments across the UK, Internal Audit was tasked with taking forward a review to provide an independent opinion on the adequacy and effectiveness of the Department's data security arrangements.

The review concluded that the Department's current data security arrangements were both inadequate and ineffective to mitigate the risk of unauthorised access to, accidental loss or destruction of the Department's personal and/or sensitive data.

The key findings emerging from the review were:

- there was no specific data security policy and the existing security policies and procedures did not provide sufficient specific detail to enable staff to clearly understand and comply with the Department's data security standards;
- Internal Audit testing revealed a number of security breaches, some of which would cause significant reputational risk to the Department if the risk exposure occurred;
- weaknesses were identified in the physical access arrangements, including access by staff using unauthorised entry points and "tail-gating" within the Rathgael House Complex;
- there were weaknesses in the storage, transmission and disposal of electronic and hard copy data;
- data security monitoring arrangements were inadequate and ineffective; and
- there was concern regarding the lack of assurance over the adequacy and effectiveness of third party contractors who have access to significant volumes of personal and/or sensitive data.

The review indicated that considerable work was required in order to reach a managed data security environment within the Department: requiring both a cultural change in staff attitudes and behaviour, together with improvements to internal systems and processes.

An Action Plan has been developed and work to address the issues raised within the report is well underway. This work includes the creation of a Security Matters Intranet page onto which existing and updated advice, guidance, systems and policies will be centrally placed for ease of reference by the Department's staff. Reviews and formalising of security related procedures are to be undertaken and communicated to staff for Physical, Document and Information Technology security issues.

Managing the Change Process

The implementation of the revised arrangements for the administration of Education will require a significant programme of change to be taken forward in 2009-10. These changes will include the establishment of the Education and Skills Authority which will subsume

responsibilities of existing Departmental funded bodies, including the five Education and Library Boards and some functions currently undertaken by the Department.

The management of these changes, the scale and nature of which are significant, together with ongoing delivery of services under existing configurations will present significant challenges for the Department and its funded bodies. A further complexity is that the changes will be effected part way through the financial year. The Department recognises the scale and complexity of the change process and the need for robust processes to ensure continuity of business and implementation of change within an effective control environment. Formal accountability arrangements within the Department have been enhanced in response to the specific challenges of the change programme. The factors influencing budgetary behaviour will be a particular focus of the formal and informal monitoring arrangements between the Department and its funded bodies to ensure no diminution of effective financial management within and between the Department and its funded bodies.

Public Expenditure Approval Process

A key aspect of the overall financial control process for public expenditure is the effective operation of delegated limits for approval of expenditure between the Department and DFP and between the Department and its funded bodies. In the course of the 2008-09 financial year the Department failed to secure approval for three business cases (for consultancy expenditure totalling £1,360k) which were in excess of delegated limits.

RPA Additional Consultancy Costs - In this case increased costs were incurred as the consultants' role changed from providing advice to the Programme Management Office (PMO) to managing the PMO function. DFP have advised this expenditure cannot be approved retrospectively as the amended role of the consultants represented a significant change in the scope of the project. The additional expenditure associated with this business case was £28k.

Derry Diocese and Holy Cross College - These projects were originally presented within a single business case and consultancy spend of £353k was approved by DFP in October 2002. These projects were subsequently split into two separate Public Private Partnership (PPP) projects in 2004 but revised business cases were not submitted to DFP for approval until after the projects had been completed. The additional expenditure associated with these business cases amounted to £1,332k. The variance between these two amounts reflects changes in scope during the course of the project as a result of emerging Government Policy on the use of PPP and an increase in the daily rates charged by consultants, brought about by delays in procurement associated with the aforementioned policy changes. The Department is currently reviewing the remaining potential PPP projects and, if they are to proceed, will ensure that all remaining consultancy work is fully scoped in line with what has been learned from the Derry Diocese and Holy Cross College projects.

All of the above cases were on a retrospective basis as they predated 2008-09.

In addition to the above, the Department is aware of three other consultancy projects which have not complied with the relevant approval requirements these are:

Down and Connor, De La Salle (additional expenditure £158k), Lagan/Tor Bank (additional expenditure £174k), BELB Strategic Partnership (additional expenditure £1,769k). The

BELB Strategic Partnership project is funded in conjunction with the Strategic Investment Board and the Department is responsible for 50% of the project.

The control process for the management and approval of business cases has been the focus of ongoing development within the Department over the last 24 months and will continue to be enhanced to ensure that robust accountability arrangements are secured within the Department and between the Department and its funded bodies. Guidance on Business Case clearance procedures was issued widely within the Department and disseminated to its funded bodies in February 2007 and May 2008. In addition, in the course of 2008-09 the Department hosted an information seminar for Departmental staff and staff in funded bodies on the business case approval process.

Additional actions are currently being finalised to ensure that controls in this area are improved substantially to ensure effective governance and compliance with the approval process. These actions include:

- increased (quarterly) monitoring of compliance with Business Case approval processes at divisional level and reporting to the Departmental Board;
- a specific requirement within the Divisional Statements on Internal Control to confirm adherence to the business case processes contained in Northern Ireland Practical Guide to the Green Book and associated internal Departmental guidance;
- Internal Audit to undertake an assessment of the business case process operating within the Department;
- an examination of all external consultancy project Business Cases within the Department and its funded bodies in the 2008-09 financial year to ensure compliance with relevant guidance; and
- Heads of Divisions within the Department and its funded bodies to supply details of all projects undertaken since 1 July 2006 to ensure that business cases have been completed for all projects, for which the appropriate approvals have been secured and that post project evaluations have been completed.

Assessment of Post Project Evaluations

Every NICS Department is required to complete periodic sample testing of Post Project Evaluations (PPEs) each year and report subsequent findings to their Accounting Officer and DFP by 30 June. As at January 2009, the Department had 52 projects with an evaluation target date of 2007 and 2008 which had not been submitted to DFP. An action plan has been put in place to ensure that these outstanding PPEs are submitted to DFP. The results of this exercise will be reported to the Accounting Officer shortly.

National Fraud Initiative

The Department has a statutory obligation, which aligns with its commitment to zero tolerance of fraud, to participate in the National Fraud Initiative. A robust process is in place within the Department for investigation of any matches to identify potential fraud for further action.

HR Connect

Since the introduction of the new NICS wide “HR Connect” payroll system in November 2008, the absence of management information reports from the Northern Ireland Statistics and Research Agency (NISRA) has meant that the Department has been limited in its ability to confirm accurately monthly salary figures for Departmental staff. The ability to monitor attendance levels against the Departmental target has also been limited. In light of this the Department has put in place additional control procedures, where possible to address these concerns.

DFP Internal Audit conducted a review of the HR Connect payroll service prior to go-live focusing on the documented operating procedures for shared service centre and NICS staff and provided a satisfactory level of assurance in these areas. However, Internal Audit has not undertaken any direct work since the HR Connect Service went live in November 2008. In accordance with contractual provisions internal audit of the HR Connect service in 2008-09 was undertaken by the main contractor. A set of internal reports have been received by DFP from the main contractor, including a review of actual controls against expected controls in respect of the non-industrial payroll system. These have been reviewed by Corporate HR (within DFP) and DFP Internal Audit have advised that although some weaknesses have been identified these are being addressed by Capita and Fujitsu.

DFP Internal Audit will be conducting direct audit work in HR Connect during 2009-10 and have undertaken to provide an Inter-Departmental Assurance for all services provided by DFP to other Departments from 2009-10 onwards.

The 2008-09 Departmental resource account has been prepared using employee and remuneration data obtained from the new HR Connect system, concern about which has been outlined above.

Teachers’ Superannuation Scheme NI (TSS NI)

The Department is also Scheme Manager for the TSS NI. The Statement on Internal Control contained within the TSS Resource Accounts for 2008-09 provides details of any matters which are relevant to the Scheme.



Signed: _____
Accounting Officer

Date: 1 July 2009

DEPARTMENT OF EDUCATION

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Department of Education for the year ended 31 March 2009 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I report to you whether, in my opinion, the information which comprises, the Introduction and the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report and the Corporate Governance Section. I consider the implications for my certificate if I become aware of any apparent misstatements or

material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- information which comprises the Introduction and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Emphasis of Matter: significant uncertainty on any liability over equal pay issues

Without qualifying my opinion, I draw attention to note 28.1 (a) to the financial statements. This refers to the obligation of the Northern Ireland Civil Service to comply with equal pay

legislation and address any anomalies that may exist in its present pay and grading structures. Equal pay claims have been lodged with the Industrial Tribunal by the Northern Ireland Public Service Alliance (NIPSA) on behalf of its relevant members. The present Minister of Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. The Department of Finance and Personnel considers that a reliable estimate of the potential liability cannot be made at this point in time due to the complexities associated with the resolution of the issue. These complexities include establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of these payments. Consequently a provision has not been made in the financial statements for any liability that may result.

See also my report on irregular payments to external consultants.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

2 July 2009

DEPARTMENT OF EDUCATION

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2008–09

Request for Resources	Note	Estimate			Outturn			2008-09 Net total outturn compared with Estimate: saving/ (excess) £000	2007-08 Outturn Net total £000
		Gross expenditure £000	Accruing Resources £000	Net total £000	Gross expenditure £000	Accruing Resources £000	Net total £000		
Request for Resources A	2	1,985,644	(816)	1,984,828	1,903,332	(788)	1,902,544	82,284	1,795,438
Request for Resources B	2	41,168	(768)	40,400	36,326	(768)	35,558	4,842	35,727
Total resources	3	2,026,812	(1,584)	2,025,228	1,939,658	(1,556)	1,938,102	87,126	1,831,165
Non-operating cost Accruing Resources		-	(175)	(175)	-	(175)	(175)	-	-

Net Cash Requirement 2008-09

	Note	Estimate £000	Outturn £000	2008-09 Net total outturn compared with Estimate: saving/ (excess) £000	2007-08 Outturn £000
Net cash requirement	4	2,019,454	1,939,515	79,939	1,824,726

Summary of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		Forecast 2008-09		Outturn 2008-09	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Total	5	8,689	<i>8,689</i>	4,425	<i>6,376</i>

Explanations of variances between Estimate and outturn are given in note 2 and in the Management Commentary.

The notes on pages 58 to 91 form part of these accounts.

DEPARTMENT OF EDUCATION

Operating Cost Statement for the year ended 31 March 2009

				2008-09			2007-08
	Note	Staff costs £000	Other costs £000	Income £000	Staff costs £000	Other costs £000	Income £000
Administration costs:							
Staff costs	8	18,121	-	-	22,746	-	-
Other administration costs	9	-	7,658	-	-	6,185	-
Operating income	11	-	-	(59)	-	-	(6)
Programme costs:							
Request for Resources A							
Staff costs	8	6,190	-	-	869	-	-
Programme costs	10	-	1,872,558	-	-	1,767,433	-
Less: Income from EU (DE principal)	11	-	-	(546)	-	-	(6,279)
Less: Income	11	-	-	(4,604)	-	-	(8,171)
Request for Resources B							
Programme costs	10	-	35,131	-	-	35,562	-
Less: Income from EU (DE principal)	11	-	-	(768)	-	-	(795)
Less: Income	11	-	-	(4)	-	-	(299)
Totals		24,311	1,915,347	(5,981)	23,615	1,809,180	(15,550)
Net operating cost	3, 12			1,933,677			1,817,245

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net (loss)/gain on revaluation of tangible fixed assets	13	(22)	17
Net gain on revaluation of intangible fixed assets	14	2	14
Recognised gains and losses for the financial year		(20)	31

The notes on pages 58 to 91 form part of these accounts.

DEPARTMENT OF EDUCATION

Balance Sheet as at 31 March 2009

	Note	£000	2009 £000	£000	2008 £000
Fixed assets:					
Tangible assets	13	552		355	
Intangible assets	14	233		388	
Financial assets	15	1,560		1,560	
			2,345		2,303
Current assets:					
Debtors	16	23,251		15,846	
Cash at bank and in hand	17	-		1	
		23,251		15,847	
Creditors (amounts falling due within one year)	18	(48,592)		(47,735)	
Net current liabilities			(25,341)		(31,888)
Total assets less current liabilities			(22,996)		(29,585)
Provisions for liabilities and charges	19		(2,402)		(498)
			(25,398)		(30,083)
Taxpayers' equity:					
General fund	20		(25,471)		(30,190)
Revaluation reserve	21(a)		73		107
			(25,398)		(30,083)

Wignall

Signed: _____
Accounting Officer

Date: 1 July 2009

The notes on pages 58 to 91 form part of these accounts.

DEPARTMENT OF EDUCATION

Cash Flow Statement for year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net cash outflow from operating activities	22(a)	(1,932,862)	(1,811,792)
Capital expenditure and financial investment	22(b), 22(c)	(277)	(449)
Payments of amounts due to the Consolidated Fund		(939)	(12,372)
Financing	22(d)	1,930,764	1,820,327
Decrease in cash in the period	22(e)	(3,314)	(4,286)

The notes on pages 58 to 91 form part of these accounts.

DEPARTMENT OF EDUCATION

Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives for the year ended 31 March 2009

Aim: To educate and develop the young people of Northern Ireland to the highest possible standards.

	2008-09			2007-08		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objective 1	1,903,332	(5,209)	1,898,123	1,796,272	(14,456)	1,781,816
Objective 2	36,326	(772)	35,554	36,523	(1,094)	35,429
Net operating costs	1,939,658	(5,981)	1,933,677	1,832,795	(15,550)	1,817,245

The Department's objectives were as follows:

Objective 1

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

Objective 2

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

See note 23.

The notes on pages 58 to 91 form part of these accounts.

DEPARTMENT OF EDUCATION

ANNUAL REPORT AND ACCOUNTS 2008-09

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated *Statement of Net Operating Cost by Departmental Strategic Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In accordance with the *FReM*, the Department is not able to accrue funding due from the Consolidated Fund in respect of Assembly Grant to match current liabilities recorded within the balance sheet. Under Financial Reporting Standard (FRS) 18, *Accounting policies*, such a closing balance sheet position which shows a surplus of liabilities over assets requires the Accounting Officer to make an assessment of the viability of the Department as a going concern. However, no material uncertainties affecting the Department's ability to continue as a going concern have been assessed and these accounts have therefore been prepared under the going concern principle.

The Department has adopted FRS 25, *Financial Instruments: Disclosure and Presentation*, FRS 26, *Financial Instruments: Recognition and Measurement*, and FRS 29, *Financial Instruments: Disclosures*. While these standards have introduced revised and additional disclosures they have had no impact on the net resource outturn, net operating costs or net liabilities of the Department.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) and the Special Educational Needs and Disability Tribunal which falls within the Departmental boundary as defined in the *FReM* (chapter 1.5) issued by the Department of Finance and Personnel. Transactions between entities included in the consolidation are eliminated.

As the results of the Core Department are not materially different from those of the Consolidated Department, the results of the Special Educational Needs and Disability Tribunal have not been separately disclosed on the Operating Cost Statement, Balance Sheet and supporting notes.

A list of all those entities within the Departmental boundary is given at note 32.

1.3 Tangible fixed assets

Tangible fixed assets are initially recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use.

At each annual reporting date, tangible fixed assets are stated at valuation, determined as follows:

- Land and Buildings excluding Dwellings

Title to land and buildings excluding dwellings shown in the accounts is held by the Department of Education. Land and buildings are restated to current value using a professional valuation, which is provided every five years and appropriate indices in intervening years.

- Other Tangible Fixed Assets

Transport equipment and information technology have been stated at current cost using appropriate indices. The minimum level for capitalisation is £1,000. PCs (including laptops) and network equipment are grouped for all assets utilised in connection with the Departmental Local Area Network.

1.4 Depreciation

Depreciation of tangible fixed assets is provided on a straight-line basis by reference to current values and to the remaining economic useful lives of assets and their estimated residual value. Freehold land is not depreciated.

Asset lives are reviewed annually and are normally within the following ranges:

Buildings excluding dwellings	25 years
Information technology	3 to 10 years
Transport equipment	4 years

Tangible fixed assets, other than land and buildings excluding dwellings are re-valued annually on the basis of the latest available indices. Revaluations below historic cost which are not temporary fluctuations in market value are treated as an impairment in accordance with FRS 11, *Impairment of fixed assets and goodwill*, and charged in full to the Operating Cost Statement.

Impairment reviews of fixed assets are performed annually and additionally where there is an indication of an impairment as defined by FRS 11.

1.5 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred on the purchase of an individual or grouped fixed asset. Except where reliable evidence of current value cannot be readily ascertained, these are restated to current value each year. Software licences are amortised over the shorter of the term of the licence and their useful economic life.

1.6 Financial assets

In 2004-05 the Department invested in the “Middletown Centre for Autism (Holdings) Limited”, which is a company registered in Northern Ireland and limited by guarantee. The Company is a joint venture between the Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland and is funded equally by each department.

The primary object of the company is to purchase, acquire and hold the property located at Middletown, Co Armagh, Northern Ireland for the purpose of supporting the promotion of excellence throughout Northern Ireland and Ireland in the development and harmonisation of education and allied services to children and young people with autistic spectrum disorders.

An Oversight Committee of four members monitors the effectiveness and management of the company. The Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland each appoint two members to the committee.

Although categorised as a joint venture in line with FRS 9, *Associates and joint ventures*, the company is deemed by the Department in agreement with the Department of Finance and Personnel to fall outside the Departmental boundary and has therefore been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the balance sheet of the Department.

1.7 Stocks

Stocks are not deemed to be material, and are expensed to the Operating Cost Statement as purchased.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises contributions from the European Union but also includes other income such as that from the sale of tangible fixed assets. It includes both operating Accruing Resources and income payable to the Consolidated Fund which in accordance with the *FReM* is treated as operating income. Operating income is stated net of Value Added Tax (VAT).

1.9 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by the Department of Finance and Personnel. Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

1.10 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for:

- cash balances with the Consolidated Fund (including balances in Departmental bank accounts within the centralised NICS pool of accounts currently held at the Northern Bank), where the charge is nil;
- liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is at a nil rate.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency and which are covered by a related forward contract are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.12 Pensions

The Department is covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC). The scheme is essentially non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Department meets the cost of pension cover

provided for staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

1.13 Early departure costs

DE employees

The Department meets the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in current or previous years. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote. The amount provided is shown net of any such payments.

Teachers

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs are borne by the scheme and are therefore not included as a cost within the Departmental Resource Accounts.

1.14 Leases

All leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.15 Grants payable

In line with the *FReM*, the Department recognises grant on the basis of the underlying activity of the recipient as follows:

- The extent of the grant liability in relation to the Education and Library Boards (ELBs) and other Non-Departmental Public Bodies (NDPBs) for both recurrent and capital expenditure is equal to their expenditure to the extent that the latter has been properly incurred. Expenditure in this context is when the ELBs/NDPBs make the payments which are due to be funded by the Department. This is equivalent to grant issued by the Department.
- Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of recurrent funding as at 31 March each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.
- Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of capital project funding is recognised based on the payments actually made plus accruals for valid grant claims in the possession of the Department.
- Other grant payments are recognised on an accruals basis where such information is available or on the basis of the extent of the grant issued or approved for payment as at 31 March each year.

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, *Provisions, contingent liabilities and contingent assets*, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which have been reported to Parliament in accordance with the requirements of *Managing Public Money Northern Ireland*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.18 Value Added Tax

Most of the activities of the Department are outside the scope of VAT and in general output tax does not apply, however input tax on purchases is recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.19 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is derecognised when, and only when, it is extinguished.

The Department has financial instruments in the form of an investment in the Middletown Centre for Autism (Holdings) Limited, trade debtors and creditors and cash and cash equivalents.

In accordance with FRS 26, *Financial Instruments: Recognition and Measurement*, the investment in the Middletown Centre for Autism (Holdings) Limited is classified as “held to maturity” and trade debtors, cash and cash equivalents and trade creditors are classified as “loans and receivables”. The investment held to maturity is measured at cost less any

impairment. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

The Department assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired.

The Department measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Operating Cost Statement and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the Operating Cost Statement to the extent that a provision was not previously recognised.

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

1.20 Third party assets

The Department holds as custodian or trustee certain assets belonging to third parties. These are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

2. Analysis of net resource outturn by section

Outturn							2008-09 Estimate	2007-08	
	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total £000	Net total outturn compared with Estimate £000	Prior- year outturn £000
Request for Resources A									
Departmental Expenditure in DEL:									
1. Education and Library Boards – Departmental overheads	12,439	8,215	-	20,654	(48)	20,606	22,571	1,965	17,835
2. Non-Departmental Public Bodies – Departmental overheads	753	52	-	805	-	805	785	(20)	766
3. Voluntary and Grant Maintained Integrated Schools – Departmental overheads	6,429	442	-	6,871	-	6,871	6,697	(174)	6,945
4. Miscellaneous Educational Services	968	2,527	8,380	11,875	-	11,875	13,095	1,220	9,015
5. EU programme for Peace and Reconciliation	-	-	987	987	(740)	247	269	22	676
6. Early Years Services	148	304	21,734	22,186	-	22,186	22,783	597	19,435
Integrated Development Fund	-	-	-	-	-	-	-	-	474
Non-Budget:									
7. Notional Charges – Department of Education	3,926	-	-	3,926	-	3,926	3,943	17	2,548
8. Education and Library Boards	-	-	1,453,476	1,453,476	-	1,453,476	1,517,976	64,500	1,361,697
9. Voluntary and Grant Maintained Integrated Schools	-	-	354,201	354,201	-	354,201	367,347	13,146	348,228
10. Council for the Curriculum, Examinations and Assessment (CCEA)	-	-	22,440	22,440	-	22,440	23,047	607	21,904
11. Council for Catholic Maintained Schools (CCMS)	-	-	4,008	4,008	-	4,008	4,132	124	3,558
12. Staff Commission for Education and Library Boards	-	-	377	377	-	377	382	5	354
13. Integrated Development Fund	-	-	1,526	1,526	-	1,526	1,801	275	2,003
Total	24,663	11,540	1,867,129	1,903,332	(788)	1,902,544	1,984,828	82,284	1,795,438

Outturn							2008-09 Estimate	2007-08
							Net total outturn compared with Estimate	Prior- year outturn
Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total £000	£000	£000
Request for Resources B								
Departmental Expenditure in DEL:								
1. Education and Library Boards – Departmental overheads	402	25	-	427	-	427	469	329
2. Youth Council – Departmental overheads	80	4	-	84	-	84	83	50
3. Youth Services	194	19	3,239	3,452	-	3,452	3,694	2,409
4. Voluntary Bodies and Other Services supporting Community Relations	247	31	1,439	1,717	-	1,717	1,763	1,841
5. EU Programme for Peace and Reconciliation	-	-	1,028	1,028	(768)	260	274	630
Non-Budget:								
6. Notional Charges – Department of Education	193	-	-	193	-	193	194	84
7. Education and Library Boards	-	-	24,811	24,811	-	24,811	29,235	25,784
8. Youth Council	-	-	4,349	4,349	-	4,349	4,321	4,119
9. Integrated Development Fund	-	-	265	265	-	265	367	481
Total	1,116	79	35,131	36,326	(768)	35,558	40,400	35,727
Resource Outturn	25,779	11,619	1,902,260	1,939,658	(1,556)	1,938,102	2,025,228	1,831,165

Explanation of variance between Estimate and outturn

Request for Resource A

This mainly represents lower than expected grant requirements in respect of Education and Library Boards and slippage of capital provision in respect of Voluntary and Grant Maintained Integrated Schools.

Request for Resource B

This mainly represents lower than expected grant requirements in respect of Education and Library Boards.

Detailed explanations of the variances are given in the Management Commentary.

Key to Request for Resources

Request for Resource A

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

Request for Resource B

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting of and respect for cultural diversity.

3. Reconciliation of outturn to net operating cost and against administration budget

3(a) Reconciliation of net resource outturn to net operating cost

				2008-09 Outturn compared with Estimate £000	2007-08 Outturn £000
	Note	Outturn £000	Supply Estimate £000		
Net resource outturn (Note a)	2	1,938,102	2,025,228	87,126	1,831,165
Non-supply income (CFERs)	5	(4,425)	(8,689)	(4,264)	(13,920)
Net operating cost (Note a)		1,933,677	2,016,539	82,862	1,817,245

Note a - Net operating cost is the total of expenditure and income appearing in the operating cost statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate.

3(b) Outturn against final administration budget

	Budget £000	2008-09 Outturn £000	2007-08 Outturn £000
Gross administration budget	21,922	21,660	26,190
Income allowable against the administration budget	(48)	(48)	-
Net outturn against final administration budget	21,874	21,612	26,190

4. Reconciliation of resources to cash requirement

				2008-09 Net total outturn compared with Estimate: saving/ (excess) £000	2007-08 Prior-year outturn £000
	Note	Estimate £000	Outturn £000		
Resource Outturn	2	2,025,228	1,938,102	87,126	1,831,165
Capital:					
Acquisition of fixed assets	13, 14	443	452	(9)	449
Financial assets	15	-	-	-	-
Non-operating Accruing Resources					
Proceeds of fixed asset disposals	22(b)	(175)	(175)	-	-
Accruals Adjustments					
Non-cash items	9	(6,257)	(5,610)	(647)	(2,722)
Changes in working capital other than cash		-	6,547	(6,547)	(4,253)
Changes in creditors falling due after more than one year	18	-	-	-	-
Use of provision	19	215	199	16	87
Net cash requirement		2,019,454	1,939,515	79,939	1,824,726

Explanation of variance between Estimate and net cash requirement

This mainly represents carry forward of resource provision, lower than expected grant requirements in respect of Education and Library Boards and slippage of capital provision in respect of Voluntary and Grant Maintained Integrated Schools. The changes in working capital other than cash are largely due to movements on amounts due to the Consolidated Fund.

5. Analysis of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		Forecast 2008-09		Outturn 2008-09	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts – excess Accruing Resources		-	-	12	-
Other operating income and receipts not classified as Accruing Resources		8,689	<i>8,689</i>	4,413	<i>6,376</i>
	6	8,689	<i>8,689</i>	4,425	<i>6,376</i>
Non-operating income – excess Accruing Resources	7	-	-	-	-
Total income payable to the Consolidated Fund	20	8,689	<i>8,689</i>	4,425	<i>6,376</i>

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008-09 £000	2007-08 £000
Operating income	11	5,981	15,550
Gross income		5,981	15,550
Income authorised to be Accruing Resources	2	(1,556)	(1,630)
Non-operating income – excess Accruing Resources	7	-	-
Operating income payable to the Consolidated Fund	5	4,425	13,920

7. Non-operating income – Excess Accruing Resources

	2008-09 £000	2007-08 £000
Profit on disposal of fixed assets	-	-
Non-operating income – excess Accruing Resources	-	-

8. Staff numbers and related costs

Staff costs comprise:

	2008-09 Total £000	Permanently employed staff £000	Others £000	Ministers £000	2007-08 Total £000
Wages and salaries	19,755	17,983	1,734	38	19,286
Social security costs	1,337	1,332	-	5	1,336
Other pension costs	3,219	3,211	-	8	3,041
Sub total	24,311	22,526	1,734	51	23,663
Less recoveries in respect of outward secondments	-	-	-	-	(48)
Total net costs*	24,311	22,526	1,734	51	23,615

These costs are shown in the Operating Cost Statement as:

Administration Costs	18,121	16,397	1,673	51	22,746
Programme Costs	6,190	6,129	61	-	869
Total net costs	24,311	22,526	1,734	51	23,615

Analysis by Objective

Objective 1	23,611	21,826	1,734	51	22,897
Objective 2	700	700	-	-	718
Total net costs	24,311	22,526	1,734	51	23,615

* No staff costs have been charged to capital. Permanently employed staff includes the cost of the Department's Special Adviser, who is paid in the pay band £56,100-£78,540.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme, but the Department of Education is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2008-09, employers' contributions of £3,215,747.60 were payable to the PCSPS(NI) (2007-08: £3,037,837.14) at one of four rates in the range of 16.5 to 23.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10, the salary bands will be revised but the rates will remain the same (the rates will be changing with effect from April 2010). The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £3,524.56 (2007-08: £3,115.84) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In

addition, employer contributions of £286.24 (2007-08: £267.88), 0.8 per cent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2007-08: £nil). Contributions prepaid at that date were £nil (2007-08: £nil).

One individual (2007-08: no one) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £85.28 (2007-08: £nil).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

Objective	2008-09 Total Number	Permanently employed staff Number	Others Number	Ministers Number	Special advisers Number	2007-08 Total Number
1	647	602	43	1	1	666
2	30	28	2	-	-	27
Total	677	630	45	1	1	693

9. Other administration costs

	Note	£000	2008-09 £000	£000	2007-08 £000
Rentals under operating leases			69		83
Non-cash items (Note a)					
Depreciation		29		167	
Amortisation		180		188	
Loss on disposal of fixed assets		6			
Loss on revaluation of fixed assets		-		13	
Cost of capital charges		(827)		(820)	
Auditors' remuneration and expenses		70		70	
Accommodation and other notional charges		3,998		2,516	
Provision provided for in-year	19	2,105	5,561	542	2,676
Other expenditure (Note b)			2,028		3,426
Total			7,658		6,185

Note a - the total of non-cash transactions included in the reconciliation of resources to net cash requirement in note 4 and in the reconciliation of operating costs to operating cashflows in note 22 comprises:

	2008-09 £000	2007-08 £000
Other administration costs – non-cash items (as above)	5,561	2,676
Notional charge for Minister’s salary (included in staff costs)	51	46
Programme costs – non-cash items (Note 10)	(2)	-
Total non-cash transactions (Notes 4 and 22)	5,610	2,722

Note b – “Other expenditure” comprises:

	2008-09 £000	2007-08 £000
Travel and subsistence	141	418
DRC – Telephone, printing and stationery	443	632
DRC – Accounting and information technology	288	426
DRC – Other general	1,156	1,950
Total	2,028	3,426

10. Programme costs

	Note	2008-09 £000	2007-08 £000
Rentals under operating leases		138	33
Current grants and other current expenditure		1,905,537	1,800,026
EU expenditure		2,016	2,936
Staff costs	8	6,190	869
Non-cash items (Note 9a)			
Provisions provided for in-year	19	(2)	-
		1,913,879	1,803,864
Less: Programme income	11	(5,922)	(15,544)
Total		1,907,957	1,788,320

11. Income

	RfRA £000	RfRB £000	2008-09 Total £000	2007-08 Total £000
Administration income:				
Administration fees	59	-	59	6
	59	-	59	6
Programme income:				
Contribution from European Union – DE acting as principal for EU	546	768	1,314	7,074
Sale of land and buildings (NDPBs)	4,485	4	4,489	8,470
Other income	119	-	119	-
	5,150	772	5,922	15,544
Total operating income	5,209	772	5,981	15,550

12. Analysis of net operating cost by spending body

	Estimate £000	2008-09 Outturn £000	2007-08 Outturn £000
Spending body:			
Core department	2,016,301	1,933,461	1,817,045
Other bodies	238	216	200
Net operating cost	2,016,539	1,933,677	1,817,245

13. Tangible fixed assets

	Land and buildings excluding dwellings £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation						
At 1 April 2008	186	13	979	67	-	1,245
Additions	-	-	17	-	366	383
Disposals	-	-	(882)	(4)	-	(886)
Revaluations	(23)	1	(5)	3	-	(24)
At 31 March 2009	163	14	109	66	366	718
Depreciation						
At 1 April 2008	14	13	804	59	-	890
Charged in year	4	-	22	3	-	29
Disposals	-	-	(748)	(3)	-	(751)
Revaluations	(1)	1	(4)	2	-	(2)
At 31 March 2009	17	14	74	61	-	166
Net book value at 31 March 2009	146	-	35	5	366	552
Net book value at 31 March 2008	172	-	175	8	-	355
Asset financing						
Owned	146	-	35	5	366	552
Finance Leased	-	-	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-	-	-
PFI residual interests	-	-	-	-	-	-
Net book value at 31 March 2009	146	-	35	5	366	552

Note a – Land and Buildings excluding Dwellings are usually revalued on a quinquennial basis by Land and Property Services, an agency of the Department of Finance and Personnel. During intervening years, they are revalued on the basis of the latest available indicies. For the purpose of the 2008-09 resource accounts land was revalued at 31 December 2008. Land was revalued on the basis of existing use value by Land and Property Services and buildings were revalued on the basis of depreciated replacement cost. Other tangible assets were revalued on the basis of the latest available indicies.

14. Intangible fixed assets

Intangible fixed assets comprise purchased software licences for the Department.

	Purchased Software Licences £000
Cost or valuation	
At 1 April 2008	1,285
Additions	69
Disposals	(363)
Revaluations	-
At 31 March 2009	991
Amortisation	
At 1 April 2008	897
Charged in year	180
Disposals	(317)
Revaluations	(2)
At 31 March 2009	758
Net book value at 31 March 2009	233
Net book value at 31 March 2008	388

15. Financial assets

	Middletown Centre for Autism (Holdings) Limited £000
At 1 April 2007	1,560
Additions	-
Disposals	-
Revaluations	-
At 31 March 2008	1,560
Additions	-
Disposals	-
Revaluations	-
At 31 March 2009	1,560

In the year to 31 March 2005 the Department invested in the “Middletown Centre for Autism (Holdings) Limited” as a joint venture with the Department of Education and Science in the Republic of Ireland. Both parties fund the company equally.

Although categorised as a joint venture in line with FRS 9, the company is deemed by the Department, in agreement with the Department of Finance and Personnel, to fall outside the departmental boundary and therefore has been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the balance sheet of the Department.

The Department’s share of the net assets and results of the above body for the year ended 30 June 2008 are summarised below.

	Middletown Centre for Autism (Holdings) Limited £000
Net assets at 30 June 2007	1
Turnover	59
Loss for the year	(5)
Net assets at 30 June 2008	2
Turnover	29
Surplus for the year	1

16. Debtors

16(a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
Trade debtors	13,385	15,336
Other debtors	609	57
Prepayments and accrued income	169	116
	14,163	15,509
Amounts due from the Consolidated Fund in respect of Supply	9,088	337
	23,251	15,846

Included within trade debtors is £3,129,447.54 (2007–08: £5,079,631.29) that will be due to the Consolidated Fund once the debts are collected.

The following table shows the impairment of trade debtors through the bad debt provision account at the balance sheet date:

	2008-09	2007-08
	£000	£000
At 1 April 2008	167	200
Impairment losses recognised on trade debtors	46	10
Amounts written off as uncollectable	(96)	(43)
At 31 March 2009	117	167

In determining the recoverability of a trade debtor, the Department considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

No interest is charged on the trade debtors. The Department has provided for trade debtors over six months old where there have been no cash receipts in the six months prior to the year end because historical experience is such that trade debtors that are past due beyond six months are generally not recoverable.

The following table shows the aging of debts past due but not impaired; no provision has been made as there has not been a significant change in credit quality and the Department believes that the amounts are still fully recoverable:

	2008-09	2007-08
	£000	£000
Neither past due nor impaired trade debtors		
Less than 1 month	165	19
1 to 3 months	123	10
3 to 6 months	50	20
Past due but not impaired trade debtors	13,047	15,287
Impaired trade debtors	117	167
Gross carrying value	13,502	15,503
Less: impairment	(117)	(167)
Net carrying value	13,385	15,336

16(b) Intra-government balances

	Amounts falling due within one year	
	2008-09	2007-08
	£000	£000
Balances with other central government bodies	9,936	645
Sub total: intra-government balances	9,936	645
Balances with bodies external to government	13,315	15,201
Total debtors at 31 March	23,251	15,846

17. Cash at bank and in hand

	2008-09 £000	2007-08 £000
At 1 April 2008	(215)	4,071
Net change in cash balances	(3,314)	(4,286)
At 31 March 2009	(3,529)	(215)
The following balances at 31 March were held at:		
Commercial banks and cash in hand	(3,529)	(215)
At 31 March 2009	(3,529)	(215)
The balance comprises:		
Cash in hand	-	1
Bank overdraft	(3,529)	(216)
	(3,529)	(215)

18. Creditors

18(a) Analysis by type

	2008-09 £000	2007-08 £000
Amounts falling due within one year:		
Bank overdraft (Note 17)	3,529	216
Other taxation and social security	16,161	16,698
Trade creditors	16,361	22,276
Other creditors	381	322
Accruals and deferred income	3,472	3,021
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received	5,559	122
receivable	3,129	5,080
	48,592	47,735

18(b) Intra-government balances

	Amounts falling due within one year	
	2008-09	2007-08
	£000	£000
Balances with other central government bodies	25,470	22,730
Balances with Voluntary Grammar and Grant Maintained Integrated Schools	16,304	20,472
Balances with local authorities	-	2
Balances with NHS and HSS Trusts	2	-
Sub total: intra-government balances	41,776	43,204
Balances with bodies external to government	6,816	4,531
Total creditors at 31 March	48,592	47,735

Balances with Voluntary Grammar and Grant Maintained Integrated schools have been separately disclosed, as these organisations have been classified as public sector bodies for budgeting purposes from 1 April 2006.

19. Provisions for liabilities and charges

	Early departure costs	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2008	125	353	20	498
Provided in the year	50	2,070	5	2,125
Provisions not required written back	-	(5)	(17)	(22)
Provisions utilised in the year	(119)	(77)	(3)	(199)
At 31 March 2009	56	2,341	5	2,402

19.1 Early departure costs

The Department is required to meet the costs of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age, and must provide in full for the cost of meeting pensions resulting from such early retirement schemes. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote.

19.2 Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 28.

19.3 Other

Eligible teachers in Northern Ireland are entitled to have their General Teaching Council Northern Ireland (GTCNI) annual fee reimbursed in full. The majority of the fees are deducted/reimbursed at source from the teacher payroll system early in the financial year. Teachers who are outside this process must pay their fee to the GTCNI and claim their reimbursement from the Department. The provision reflects the Department's estimate for claims outstanding at the year end.

20. General fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2008-09 £000	2007-08 £000
At 1 April 2008	(30,190)	(25,574)
Net parliamentary funding		
drawn down	1,930,427	1,820,327
Year end adjustment		
Supply debtor – current year	9,088	337
Settlement of supply creditor – prior year	-	4,062
Net transfer from operating activities		
Net operating cost	(1,933,677)	(1,817,245)
CFERs repayable to Consolidated Fund	(4,425)	(13,920)
Non-cash charges		
Cost of capital	(827)	(820)
Accommodation and other charges	4,049	2,562
Auditors' remuneration	70	70
Transfer from revaluation reserve	14	11
At 31 March 2009	(25,471)	(30,190)

Under the Reinvestment and Reform Initiative, loans are made available to the Northern Ireland Block. The loans are financed by borrowing from the National Loans Fund and the funding is paid directly to the Northern Ireland Consolidated Fund. The associated cash, £nil (2007-08: £1,480,000) is paid to Departments from the Northern Ireland Consolidated Fund through the normal supply process.

21. Reserves

21(a) Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

	2008-09	2007-08
	£000	£000
At 1 April 2008	107	87
Arising on revaluation during the year (net)	(20)	31
Transferred to general fund in respect of realised element of revaluation reserve	(14)	(11)
At 31 March 2009	73	107

21(b) Donated asset reserve

The Department does not have any donated assets.

22. Notes to the consolidated cash flow statement

22(a) Reconciliation of operating cost to operating cash flows

	Note	2008-09	2007-08
		£000	£000
Net operating cost	12	(1,933,677)	(1,817,245)
Adjustments for non-cash transactions	9	5,610	2,722
(Increase)/decrease in debtors	16	(7,405)	993
<i>less movements in debtors relating to items not passing through the operating cost statement</i>	16	8,751	337
Decrease in creditors	18	(2,456)	(1,026)
<i>less movements in creditors relating to items not passing through the operating cost statement</i>	18	(3,486)	2,514
Use of provisions	19	(199)	(87)
Net cash outflow from operating activities		(1,932,862)	(1,811,792)

22(b) Analysis of capital expenditure and financial investment

	Note	2008-09 £000	2007-08 £000
Tangible fixed asset additions	13	(383)	(78)
Intangible fixed asset additions	14	(69)	(371)
Proceeds on disposal of fixed assets		175	-
Net cash outflow from investing activities		(277)	(449)

22(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans etc £000	Accruing Resources £000	Net total £000
Request for Resources A	452	-	(175)	277
Total 2008-09	452	-	(175)	277
Total 2007-08	449	-	-	449

22(d) Analysis of financing

	Note	2008-09 £000	2007-08 £000
From the Consolidated Fund (supply) – current year	20	1,930,427	1,820,327
From the Consolidated Fund (supply) – prior year		337	-
Net financing		1,930,764	1,820,327

22(e) Reconciliation of net cash requirement to decrease in cash

	Note	2008-09 £000	2007-08 £000
Net cash requirement	4	(1,939,515)	(1,824,726)
From the Consolidated Fund (supply) - current year	22(d)	1,930,427	1,820,327
From the Consolidated Fund (supply) - prior year	22(d)	337	-
Amounts due to the Consolidated Fund - received in a prior year and paid over		(122)	(9)
Amounts due to the Consolidated Fund - received and not paid over	18	5,559	122
Decrease in cash in the period		(3,314)	(4,286)

23. Notes to the consolidated statement of net operating costs by departmental strategic objectives

Net operating costs have been allocated as follows:

	Objective 1 £000	Objective 2 £000	2008-09 Total £000	Objective 1 £000	Objective 2 £000	2007-08 Total £000
Programme grants and other current expenditure	1,872,558	35,131	1,907,689	1,767,433	35,562	1,802,995
Staff costs	23,611	700	24,311	22,897	718	23,615
Other administration costs	7,163	495	7,658	5,942	243	6,185
Income	(5,209)	(772)	(5,981)	(14,456)	(1,094)	(15,550)
Net operating income	1,898,123	35,554	1,933,677	1,781,816	35,429	1,817,245

The Department of Education's capital is deemed to be employed exclusively for the achievement of Objective 1, on the basis of materiality.

Administration costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

Notional costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

The cost of capital charge is apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

24. Capital commitments

	2008-09 £000	2007-08 £000
Contracted capital commitments at 31 March 2009 for which no provision has been made	62	324

25. Commitments under leases

25.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2008-09 £000	2007-08 £000
Obligations under operating leases comprise:		
Land and buildings		
Expiry within one year	-	43
Expiry after one year but not more than five years	129	32
	129	75
Other		
Expiry within one year	4	4
Expiry after one year but not more than five years	72	13
	76	17

25.2 Finance leases

The Department does not have any finance leases.

26. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of security, facilities management, evaluation and other services.

The payments to which the Department is committed during 2009–10, analysed by the period during which the commitment expires are as follows.

	2008-09 £000	2007-08 £000
Expiry within one year	1,055	1,118
Expiry within two to five years	87	61
	1,142	1,179

At 31 March 2009 the Department is committed to paying Grant in Aid to the Council for Catholic Maintained Schools and the South Eastern Education and Library Board in four of the six PPP's referred to in the Statement on Internal Control.

	£000
Derry Diocesan PPP Project	139
Holy Cross College PPP Project	101
Down and Connor/De La Salle PPP Project	197
Lagan College/Tor Bank Special School PPP Project	271
	708

In the RPA and Belfast Education and Library Board Strategic Partnering PPP Projects, there are no further anticipated commitments.

27. Financial Instruments

FRS 29, *Financial Instruments: Disclosures*, requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the non-trading nature of its activities and the way in which Government Departments are financed, the Department of Education is not exposed to the degree of financial risk faced by business entities.

Classification of financial instruments

The Department's investments are measured at historical cost, less any impairment while all other financial instruments are measured at amortised cost. The Department's financial assets include investments (note 15) which are classified as held to maturity, trade and other debtors (note 16) and cash at bank and in hand (note 17) which are classified as loans and receivables. The Department's financial liabilities are classified as loans and receivables and comprise creditors and accruals, excluding tax liabilities (note 18). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities.

The following table shows the net gains/losses recognised through the Operating Cost Statement by measurement category:

	From interest £000	At fair value £000	From subsequent measurement Currency translation £000	Impairment /reversal of impairment £000	Net gain/(loss)	
					2008-09 £000	2007-08 £000
Loans and receivables	-	-	(197)	(46)	(243)	94
Financial liabilities measured at amortised cost	-	-	-	-	-	-
Total	-	-	(197)	(46)	(243)	94

The Department recognises the components of net gain/loss through the Operating Cost Statement.

The net currency translation losses on financial assets classified as loans and receivables are attributable to monies due from the EU in respect of grant payments.

Risk management

Financial risks include credit risk, liquidity risk and market risks (interest rate and currency).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk and manages its exposure via credit risk management policies which require review of the credit history of the organisations that the Department wishes to trade with. Publicly available credit information from recognised providers is utilised for this purpose where available. The maximum exposure to credit risk is represented by the carrying amounts of the trade debtors carried in the balance sheet.

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by the Northern Ireland Assembly, as is its capital expenditure. The Department of Education is not, therefore, exposed to significant liquidity risks.

Currency risk

Currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Department receives reimbursement of certain grant payments from the EU. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The revenue due from the EU is recognised as a debtor when it is initially paid to grant recipients. However, only when the Department submits claims to the EU is the relevant portion of the debtor subject to exchange rate risk. Of the EU debtors at 31 March 2009 none related to submitted claims; there was therefore no exposure to currency risk at the balance sheet date.

The Department does not have the authority to manage currency risk through hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

27.1 Financial Guarantees, Indemnities and Letters of Comfort

The Department has not entered into any quantifiable guarantees, indemnities or provided letters of comfort.

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

28. Contingent liabilities disclosed under FRS 12 and contingent assets

28.1 Contingent liabilities

The following contingent liabilities at 31 March 2009 have not been accrued.

Nature	Number of cases	Value £000
Judicial review	1	Unable to quantify
Comhairle na Gaelscolaíochta (CnaG) – Membership of NILGOSC Pension Scheme	1	60
Employer's liability guarantee	1	Unable to quantify
Equal pay claims	Note a	Note a

Note a - Equal Pay

The former Minister for Finance and Personnel announced measures in May 2008 to address equal pay issues in the Northern Ireland Civil Service. The present Minister for Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. In May 2009 he confirmed to NIPSA that a settlement offer had not been made but that he had instructed officials to work intensively with NIPSA to establish, as clearly as possible, parameters within which a negotiated settlement might be reached so that he, in conjunction with his Ministerial colleagues in the Northern Ireland Assembly, can consider how the matter should be taken forward.

NIPSA has lodged equal pay claims with the Industrial Tribunal on behalf of its female members in the Admin Assistant, Admin Officer and Executive Officer II and analogous grades in the NICS. The Department of Finance and Personnel (DFP) has assessed the potential impact of these equal pay claims and the wider equal pay issue against relevant accounting standards, in particular FRS 12, *Provisions, contingent liabilities and contingent assets*. The ministerial statements have created an obligation on the part of the NICS to comply with equal pay legislation and to address any anomalies that may exist in its present pay and grading structures. However, DFP considers that a reliable estimate cannot be made, at this point in time, of the potential liability to resolve the issue. This is as a result of the complexities associated with the resolution of the issue, including

establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of those payments. Consequently, DFP does not consider that it is possible to reach a reliable estimate of the obligation, and thus make a provision under the criteria set out in FRS12.

28.2 Contingent assets

The following contingent assets at 31 March 2009 have not been accrued.

Nature	Number of cases	Value £000
Probable recoupment of monies from insurance companies in respect of staff injured in road traffic accidents	6	8
Probable recoupment of monies from school trustees following closure	9	6,491

29. Losses and special payments

29(a) Losses statement

For 2008-09 and 2007-08 expenditure on losses was below the reporting threshold of £250,000.

29(b) Special Payments

For 2008-09 and 2007-08 expenditure on special payments was below the reporting threshold of £250,000.

29(c) Losses incurred by managing agents

The Department of Education uses managing agents to distribute funds of public monies to final recipients. Had these funds been distributed directly by the Department no additional losses would have been recognised.

29(d) Other notes

Details of any losses and special payments made by the Education and Library Boards, the Northern Ireland Council for the Curriculum, Examinations and Assessment, the Youth Council for Northern Ireland, the Council for Catholic Maintained Schools and the Staff Commission for Education and Library Boards will be reported in the accounts of those bodies.

30. Related-party transactions

The following list represents those bodies for which the Department had direct funding responsibility during this financial year. These bodies are regarded as related parties with which the Department has had material transactions during the year.

Executive NDPBs

Belfast Education and Library Board
Council for Catholic Maintained Schools
Northern Ireland Council for the Curriculum, Examinations and Assessment
North Eastern Education and Library Board
Southern Education and Library Board
South Eastern Education and Library Board
Staff Commission for Education and Library Boards
Western Education and Library Board
Youth Council for Northern Ireland

Tribunals

Special Educational Needs and Disability Tribunal

Public and private sector bodies

Grant Maintained Integrated Schools*
Voluntary Grammar Schools*
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Middletown Centre for Autism
Health and Social Services Boards

* Note: Other schools, maintained and controlled, are funded via the Education and Library Boards.

The Department of Education has had a small number of transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Department of Finance and Personnel.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

31. Third-party assets

The Department administers the Endowment and Miscellaneous Trust Funds on behalf of a number of Royal Schools. These are not Departmental assets and are not included in the accounts. The assets held at the balance sheet date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and listed securities. They are set out in the table immediately below.

	31 March 2008 £000	Gross inflows (Note a) £000	Gross outflows (Note a) £000	31 March 2009 £000
Monetary assets such as bank balances	2	26	(26)	2
Listed securities	558	-	-	434

Note a – The inflow and outflow figures do not equal the change in the value of listed securities over the year, because movements caused by revaluation to 31 March prices are not reflected in the inflows and outflows figures.

The Department also holds legal title to a number of Turbary rights (the right to extract peat) and associated land which is held in Trust.

In accordance with FRS5, *Reporting the substance of transactions*, these assets are not included within the Departmental accounts on the grounds that the legal basis of the trusts involved ensures that the Department cannot obtain economic benefit from these assets.

32. Entities within the departmental boundary

The entities within the boundary during 2008–09 were as follows:

Supply-financed agencies:	None
Non-executive NDPBs:	Special Educational Needs and Disability Tribunal
Other entities:	None

33. Post balance sheet events

There are no post balance sheet events relating to the 2008-09 financial year.

34. Premature retirement compensation

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs are borne by the scheme and are therefore not included as a cost within the Departmental resource accounts.

The Department is responsible as compensating authority for Voluntary Grammar Schools, Grant Maintained Schools and a number of smaller bodies.

The number of compensating cases, for which the Department is compensating authority, for the current year and in total broken down by employer group are:

Total number of teachers retiring on grounds of premature retirement in the year to 31 March 2009

	Efficient discharge	Redundancy
Voluntary Grammar Schools	-	42
Other Grant Maintained Schools	-	2
Other Bodies	-	5
Total	-	49

Total number of teachers retired on grounds of premature retirement as at 31 March 2009

	Efficient discharge	Redundancy
Voluntary Grammar Schools	162	640
Other Grant Maintained Schools	6	17
Other Bodies	27	81
Total	195	738

The Combined Financial Statements of the Teachers' Pension Scheme for Northern Ireland and the Teachers' Premature Retirement Scheme for Northern Ireland provide complete information on premature retirement compensation. The statements are available on request from the Department.

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

DEPARTMENT OF EDUCATION RESOURCE ACCOUNTS 2008-09

Irregular Payments to External Consultants

Introduction

1. In accordance with the requirements of Managing Public Money Northern Ireland (MPMNI) and DAO(DFP) 06/05, the Department of Finance and Personnel (DFP) has delegated to departments authority to enter into commitments and to spend within defined limits, subject to certain restrictions. Prior DFP approval is required for each separate engagement of external consultants expected to cost over £75,000 (or otherwise agreed with DFP). DFP approval in such instances is only granted on completion of a satisfactory business case.
2. It is a general condition of DFP approval that it must be notified if at any time costs or any other key assumptions vary by more than 10 per cent from the estimates given in the business case upon which the approval was based, or if implementation is delayed by more than 24 months.
3. If a department wishes to make any significant change to a project or to its proposal for procurement, after approval has been granted, DFP agreement must be obtained before any expenditure is committed and before procurement is commenced.

Retrospective Approval

4. If expenditure has been committed or procurement commenced without DFP approval then DFP may be prepared to consider granting retrospective approval in exceptional circumstances and only under specific conditions as defined in MPMNI namely:

Condition 1 - where it would have been granted approval had it been approached properly in the first place. DFP may consider this condition satisfied where a department had completed a suitable business case prior to committing the expenditure, but neglected to forward it to DFP for approval; and

Condition 2 – the Department is taking steps to ensure there is no recurrence. Evidence of specific remedial actions will be required to satisfy this condition.

5. In March 2009 DFP advised the Department of Education (the Department) that retrospective approval had not been granted on consultancy costs for three projects, namely Holy Cross College Strabane and Derry Diocese (comprising St Cecilia's College Derry and St Mary's College Derry) Public Private Partnerships (PPPs), and the Reform of Public Administration (RPA) Project Management Consultancy Support. DFP copied the correspondence to my Office in line with guidance in MPMNI.

Holy Cross College and Derry Diocese PPPs

6. Management, financial and legal external consultancy costs of £352,122 to support both Holy Cross and Derry Diocese PPP projects were approved in 2002. The final consultancy spend in the projects was £807,263 for Holy Cross and £877,083 for Derry Diocese. Most of the expenditure was incurred prior to 2008-09. In 2009-10 the Department has advised that £101,109 additional expenditure in respect of Holy Cross and £138,654 for Derry Diocese has been incurred. This expenditure is due to an uplift in consultancy rates as a result of the expiration of the original consultancy framework, as advised by the Department. In the context of the 2009-10 accounts, based on current circumstances, this expenditure is irregular. The total overspend represents an increase of £1,332,224 which is 378 per cent in excess of the approved spend. I asked why there was such a significant increase and the Department advised me that this was due to a combination of factors. A significant change in the project took place when the original single PPP project was split into two separate projects. Additional changes in the scope of the project occurred as a result of emerging Government policy on the use of PPP. Further to the increased expenditure brought about by these changes in scope, the associated delays in procurement resulted in an increase in the daily rates charged by the consultants.

7. In considering retrospective approval on the Holy Cross PPP project, DFP stated that:

“given the financial close for the PPP project was reached in September 2006 and the fact that DFP only received the consultancy business case in July 2007 and again in January 2009, we are not convinced that the business case was completed at the appropriate time.”

and

“it is particularly worrying from the Department’s response that the Department does not have an understanding of where retrospective approval is required. There have been a number of occasions where DE have recently sought retrospective approval and this clearly shows that the Department has not been successful in taking steps to ensure that there is no recurrence.”

8. In the case of the Derry Diocese PPP project, DFP acknowledged that, particularly in PPP projects, there may be a pressing need to continue consultancy support and that it would be impossible to halt this support whilst a consultancy business case is being prepared. Nonetheless there is an expectation that as a very minimum the Department would be expected to inform DFP of the situation and complete a business case as soon as possible and not to wait until the work has been completed. The Derry Diocese PPP financial close was in December 2008 but the business case was not forwarded to DFP until January 2009.
9. DFP repeated its concern that the Department had not been successful in taking steps to ensure no recurrence of requests for retrospective approval.

RPA Project Management Consultancy Support

10. The total approved expenditure for this consultancy was £320,000. An additional £27,900 expenditure was incurred. According to DFP it was the submission of a Post Project Evaluation (PPE) that revealed a substantial change in the scope of the consultancy contract. DFP stated:

“this change was so substantial that it would have been necessary to submit a revised business case to DFP for approval. As DFP was not consulted it is clear that retrospective approval of this change in scope is required.”

11. It is my understanding that DFP could not be sure that a business case was completed at the appropriate time because the Department was unable to trace documentation of the change in scope. In addition, DFP was not satisfied that the Department was taking adequate steps to prevent this situation arising again and the lack of records kept in this case suggests that the Department was failing to follow the correct business case process.

Need for further Retrospective Approvals

12. Following notification of the above three cases, the Department was asked by DFP and my Office to determine whether it was aware of any other projects where DFP approval had not been sought. The Department identified a further three consultancy projects which had not complied with the requirements of MPMNI and where retrospective approval from DFP would be sought. The three projects are Down and Connor De La Salle PPP, Lagan/Tor Bank PPP and BELB Strategic Partnership (which is a hybrid of PPP and conventional procurement).
13. I am informed that all of these cases incurred additional expenditure which exceeded the 10 per cent threshold. Most of this expenditure was incurred prior to 2008-09. The Department has advised that in the case of BELB Strategic Partnership project there has been no expenditure since 2007-08. However, in relation to Down and Connor De La Salle, expenditure of £199,159 is expected to occur in 2009-10 and for Lagan College/Tor Bank expenditure of £224,762 and £46,508 is expected to occur in 2009-10 and 2010-11 respectively, as completion of milestones still remain outstanding in both instances.

Project Title	Approved Expenditure	Additional Expenditure	Additional Expenditure as a % of Approved Expenditure
Down and Connor De LA Salle PPP	£442,000	£158,000	36%
Lagan/Tor Bank PPP	£321,000	£174,000	54%
BELB Strategic Partnership <i>[DE responsible for 50 per cent of this expenditure]</i>	£1,034,000 £517,000	£1,769,000 £884,500	171%

14. I asked the Department why the expenditure on the BELB Strategic Partnership project was so much in excess of that approved and it advised me that the original proposal was in relation to a six school PFI cluster. The project scope increased significantly to a new Building Schools for the Future (BSF) type strategic partnership with this as phase 1 and consequently the Invitation to Negotiate (ITN) documentation had to be redrafted to take account of the additional requirements the strategic partnership had produced. The project was originally scheduled to have a duration of 17 months, however the revised project ran for 49 months.
15. The total approved expenditure in these three cases was £1,797,000 compared to a final figure of £3,898,000, giving rise to irregular expenditure of £2,101,000 in previous and future years for which the Department is responsible for £1,216,500.

Departmental internal controls

16. The Department's Finance Director issued in February 2007, guidance on business case clearance procedures within the Department and to its Non-Departmental Public Bodies (NDPBs). The guidance highlights the need for sufficient time to be built into the business case process to allow consideration by the Department's Finance Division and DFP. It also indicates that approvals in principle should not be granted, nor should commitments to funding be given prior to completion of a satisfactory business case and in advance of the Finance Director's or DFP's approval.
17. The guidance also stipulates that in submitting business cases for consideration, Heads of Division and Chief Executives' of NDPBs should confirm that they are content with the regularity, propriety and value for money of the project. These conditions are also contained in a letter, issued by the Finance Division on 9 May 2008, to Heads of Division and Branches within the Department. Heads of Division were asked to ensure that a copy was sent to their respective NDPBs. This additional guidance was underpinned by a seminar held in June 2008 for all Heads of Divisions and Heads of Branches within the Department and representatives of the Departments' NDPBs.
18. The Department recognises that the failure to obtain the necessary approvals is a major breakdown in the project management of the six cases and that this breakdown and failure to obtain retrospective DFP approval results in the additional consultancy expenditure being irregular.
19. I welcome the disclosure of this matter in the Accounting Officer's Statement on Internal Control and the proposed actions to be undertaken over the coming months to enhance the arrangements within the Department and its funded bodies to ensure robust and effective processes are in place.

Conclusion

20. Expenditure amounting to £2,576,624 has been identified for which the Department has not obtained the necessary DFP approval. This expenditure did not conform to the authorities and is irregular. This expenditure has been accounted for in years other than 2008-09 and therefore I was content not to qualify my 2008-09 regularity opinion.
21. I will keep developments under review and will follow up with the Department to ensure that the proposed actions are fully and properly implemented.



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